



Kuti Éva
Civil Európa
Civil Magyarország



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ÉVA KUTI: CIVIL EUROPE – CIVIL HUNGARY

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This book is published in the framework of the „EU Civis: Civil Europe – Civil Hungary – Civil Austria – Civil Romania” project.

Project partners:

European House, Hungary (project coordinator)
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The World of NGOs, Austria
www.ngo.at

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The project is supported by the Education, Audiovisual and Culture Executive Agency of the European Commission within the Community Programme „Europe for Citizens – Promote active European citizenship 2007-2013”.

The contents of this publication do not necessarily reflect the opinion or position of the Education, Audiovisual and Culture Executive Agency of the European Commission.

ISBN 978-963-87909-0-3

Designed and Printed in Hungary

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Foreword

Dear Reader, you are holding in your hands the end product of a Hungarian-Austrian-Romanian joint venture, in three volumes.

The organisations involved in the EUCivis: Civil Europe – Civil Hungary – Civil Austria – Civil Romania project have undertaken to present the situation of the civil society in their country, and also attempt to assess the challenges faced by the sector and outline the directions of progress and the possible answers.

In short, this book is about the past, present and future of the civil society of three countries of the region. Taking into consideration the lessons of the common past, we must keep in mind that we can only prosper if we search for answers to the questions of common concern in co-operation, by upholding our common values and not to the cost of each other.

We profess with conviction: in this seemingly complicated world the European Union provides appropriate frameworks to supplying the answers.

In this process the civil society organisations play an unavoidable role, one that cannot be substituted with anything. Their characteristic features, i.e. their independence, sensitivity towards social issues, resourcefulness, flexibility, openness, co-operative spirits make them eminently suitable to become an integral factor.

We trust that these three volumes will not simply gather dust on the bookshelves but will serve as a helpful aid for researchers, politicians, public administration officers, teachers, journalists, students and naturally the representatives of the civil society organisations – in short, for many people.

Besides the authors and the contributors, we also wish to thank the Education, Audiovisual and Culture Executive Agency (EACEA) of the European Union for having helped the implementation of our project in the framework of the „Europe for Citizens” Programme 2007 – 2013.

On behalf of the three civil organisations implementing the programme, we wish you happy reading.

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In the eyes of Hungarian citizens Europe has always represented much more than just a continent which their country geographically belongs to. It has been regarded as an embodiment of the modern civilisation and, as such, it has served as a point of orientation and an example to be followed. Its norms and values were held in high esteem even in periods when, for some historical reasons, the actual behaviour was not guided by them. In some sense, the general attitude towards the European value system has remained continuously positive despite the fact that its implementation was seriously limited or sometimes even impossible for centuries. Due to their unfortunate history full of constraints, the Hungarians had very few occasions to act as citizens and to feel really responsible for what happened to them and to their country. They always had an excuse; some external forces always could be blamed for the gap between behaviour and aspirations, for the deviation from the highly appreciated European norms.

The accession to the European Union has brought about important changes in this respect though they are not fully recognised yet. The citizens of the EU member Hungary are European citizens as well. As members of the large community of European people, they are responsible for how much such basic values as democracy, pluralism, tolerance and solidarity are respected by this community. They are supposed to think and behave as European citizens, then, but this is only possible if they are active citizens at home, if they take an active part in the work of the Hungarian civil organisations. A significant development of social participation and voluntary citizens' actions at a national level is a necessary condition for developing a strong and balanced European civil society. The legal, economic and social conditions of this development are somewhat specific in Hungary, just like in all other member states. So are the historical traditions and patterns of behaviour which have been formed over the centuries. They have a significant impact on the development of policy alternatives, on the value system, the co-operation skills, the principles and the practical decisions of both government and civil society actors. This is why a short overview of the historical background seems to be a necessary first step when trying to give an overall picture of 'civil Hungary'.

Historical background

Private charities, the archetype of the present civil organisations emerged in Hungary as early as the Middle Ages. These foundations and voluntary associations played an important role in the alleviation of social problems. A detailed exploration of their activities and development is not feasible in this short paper, thus we have to focus on the discussion of major tendencies still influencing the development patterns of the Hungarian civil sector.

Church and lay charities, voluntary organisations before World War II

Up to the end of the fifteenth century, the Hungarian economy and society (and consequently its charities and voluntary organisations) followed the European path of development. The first charities were established right after the birth of the Christian state. Moreover, there also appeared the germs of the co-operation which is now generally called division of labour between the government and the nonprofit sector. Wording it in very recent terms, the secular authorities (the king and the city magistrates), the church organisations, the donors, and the volunteers all played some (though not equally important) role in solving social problems.

The Turkish invasion pushed Hungary (and many other Eastern European countries) into a backward position on the European periphery in the sixteenth century. *This was also the point where the development of the Hungarian charities and voluntary organisations was diverted for centuries along a different route from that followed by Western Europe.* After that, Hungary has not really regained its political independence until 1989, if not for very short periods until its revolts and wars of independence became suppressed. There was very little scope for voluntary citizens' initiatives under the conditions of foreign occupation and internal oppression. By contrast, several techniques of resistance and strategies of survival were developed. They are still present in the collective memory; they shape the community's answer to recent challenges, thus they also have some indirect impact on the behaviour of nonprofit organisations.

The tension between citizens and state authorities, prolonged feudalism, and delayed embourgeoisement not only rendered the self-organisation of society difficult, they also had another consequence. *Voluntary movements became clearly oppositional and social policy oriented* when they could finally strengthen at the end the eighteenth and at the beginning of the nineteenth century. Besides building group-identity and organising their members cultural and leisure activities, the voluntary organisations established by various social layers also performed advocacy functions. Moreover, they made explicit efforts in order to face social challenges. Although they had serious conflicts with the government, they were banned repeatedly and they had to meet lots of administrative requirements, their development continued. In addition to the formerly established vol-

untary groups of nobles, intellectuals and burgess, the workers, craftsmen and peasants also formed their associations. The voluntary movement was already a mass phenomenon in Hungary in the interwar period.

The development of the foundations went parallel but politically it was less stormy because their activities were mainly connected to charitable purposes. Due to their very nature, *the foundations were usually specialised in initiating, supporting and financing the development of welfare services*. It happened very frequently that the establishment of welfare institutions was an outcome of the joint efforts of private foundations and public authorities. A great deal of foundation support and many private donations and bequests went to the public education and social care. There were ‘foundation beds’ in several public hospitals, ‘foundation places’ in numerous public orphanages, shelters, nursing homes, schools, and universities. The opposite, a government contribution (financial or in-kind support) to the establishment of private charities was not rare, either.

Though voluntary organisations and foundations did not play a dominant role as independent service-providers, their role was still enormous and essential in terms of quality and *innovation*. The first kindergartens, comprehensive schools, institutions of adult education and women’s education, the first museums, libraries and exhibition halls, the first children hospitals and orphanages, the first tuberculosis hospitals and employment agencies were all established by or with the assistance of voluntary associations and foundations. The establishment of these ‘pioneer’ organisations was not just an act of charity, but also a vehicle for policy advocacy, a way of making social needs explicit. It happened quite frequently that the leaders of voluntary organisations managed to persuade the government into taking over the provision of social services when philanthropic sources proved to be insufficient to cover the costs. Thus even the failed charitable actions contributed to the development of public welfare services.

On the other hand, government authorities also laid claim to the sources available from private philanthropy and wanted to build a welfare system consisting of both public and voluntary service provision. This intention was already detectable in the decrees that tried to regulate and control private donations in the 1920s, but it became crystal clear in the second half of the 1930s when a new model of social policy – called the Eger model, then the Hungarian model – institutionalised the relationships between private philanthropy and public social services.

Eger model – Hungarian model

This model was developed originally in a middle-size Hungarian town, Eger. Its main idea was that the united efforts of churches, voluntary organisations and public authorities were more likely to solve poverty problems than their separate activities. Accordingly, a ‘Committee for Poverty Relief’ was created with members from the local authority, the local elite, the churches and the lay voluntary organisations. This committee was responsible for listing the people in need and preparing a complex plan of poverty relief. The plan had to give an overview of the tasks, the necessary costs and the possible resources. The personal aid was distributed by a sub-committee. Both public support and private donations played an important role in financing the system. The fund raisers were volunteers. Most of the various services provided to the poor (e.g. shelters, home-care, food, personal hygiene, mental hygiene etc.) were delivered by or at least with the assistance of volunteers. This system of co-operation proved to be so successful that government authorities decided to promote its introduction in other Hungarian cities. Partly under this government pressure, and partly by their own choice, several big cities and small towns organised their social care in accordance with the principles of the Hungarian model.

However, this *social policy based on a partnership between government and voluntary organisations* remained short-lived. World War II and then the Communist takeover made these kinds of endeavours impossible for the next couple of decades.

Voluntary organisations in the period of state dominance

Communist governments considered individuals as part of a potentially hostile mass that needed to be re-educated and re-oriented as socialists. Inherent in that concept was a fear that social movements might fall outside Party control. It was in order to counteract this fear that the government banned most voluntary organisations in the early 1950s and even the legal form of the foundation was abolished. What remained of the voluntary sector was nationalised and brought under close state control. A series of administrative rules prevented the citizens from establishing new, independent voluntary associations while the government artificially created ‘mass organisations’ which worked under strict party control.

The 1956 revolution not only revealed the depth of the gap between state and society, it also taught some lessons. The government had to understand that crude oppression was not an appropriate way of governing Hungary. On the other hand, the failure of the uprising showed to the citizens that they had to adopt more latent and subtle ways of resistance instead of an open revolt. These strategies created a curious atmosphere of distrust. Citizens pretended to form politically neutral voluntary organisations. In fact, the actual activities of these civil organisations were not dangerous for the regime, but their very nature was oppositional. Their pure existence represented the society’s hostility towards dictatorship and its willingness to preserve at least some limited autonomy. This autonomy helped civil organisations to take the opportunity of widening their freedom whenever the political climate became milder.

Their scope of activities gradually broadened in the 1980s because the government did not dare to seriously attack citizens' initiatives though it still had the legal authority to do so. It had to be all the more tolerant because it was slowly groping towards an understanding of the deepening crisis of state socialism, including a failure in the provision of welfare services. Most of the educational, health and social services were provided by public institutions completely or almost free of charge in Hungary by the mid-1980s. In principle, every citizen had access to these public services as of right. In practice, it was mainly the privileged social groups such as the party and managerial elites which could take advantage of subsidised state housing, higher education, and high quality health services. Clients paid more and more for the officially free services in legal and half-legal ways. It became gradually clear that the state-financed system of welfare services was not sustainable. The inequalities generated by the unequal access to the public goods became an important source of social and political tensions, but the further enlargement of public services was obviously impossible. Not even an unchanged level of functioning was financially guaranteed. The state monopoly of the provision of welfare services could not be maintained any longer. Under these conditions, the government had to understand and accept *the need for alternative methods of financing, private donations and additional welfare services to be provided by the nonprofit organisations.*

The promises of the state socialist regime were exaggerated or even utopian. The creation of a comprehensive system of public institutions providing every citizen with the whole range of high quality public services free of charge would have been much too costly. Even the rich developed countries would have failed to finance it. The bankruptcy of a welfare system is obviously unavoidable if it does not include any demand side constraint, while the growth of the supply of public services is obviously limited by the economic potential of the country. The budget balance might be maintained (through running into debt or internal cross-financing) for some time, but the structural reform becomes sooner or later inevitable. This moment arrived in Hungary in the second half of the 1980s. Thus by the time the collapse of the Soviet Bloc made fundamental political changes feasible, the Hungarian government already had to admit that it could not solve every social problem and needed the assistance of both for-profit and nonprofit organisations.

The emergence of an independent third sector

The 'rehabilitation' of foundations came about before the political changes; *the legal provisions pertaining to foundations reappeared in the Civil Code in 1987.* Moreover, the Parliament also passed the law on association in 1989, thus *the legal guarantees of the freedom of association became enacted.* In other words, the regulation of the legal status of foundations and associations was already achieved before the change of the political regime. This suggests that the development of the civil society was not an outcome of a political process; civil organisations played an active role in the preparation of the changes.

Chronology of regulatory events

1990: Foundations and voluntary associations can be established without government permission, tax exemption of all nonprofit activities, unconditional and unlimited tax deductibility of the donations to foundations
 1991–1994: General restrictions on the tax advantages of nonprofit organisations, setting conditions for tax exemption and tax deductibility
 1994: Three new forms of nonprofit organisations (public law foundation, public law association, public benefit company) appear in the Civil Code
 1995–1996: Preferential tax treatment for state-controlled nonprofit organisations, restrictions on the tax advantages of private foundations
 1997: 1% of the personal income tax can be given to nonprofit organisations selected by the taxpayer
 1998: Nonprofit organisations serving public interest can apply for the public benefit and eminently public benefit status; the public benefit status becomes a condition for preferential tax treatment
 2004: Institutionalisation of the public support to civil society organisations by the creation of the National Civil Fund
 2005: Legal regulation of the tax free allowances to volunteers; the legal form of public benefit company is substituted by the nonprofit company; limitation of the individual donors' tax preferences
 2007: Appearance of the social cooperative as a new legal form for public benefit economic activities

The regulatory environment of the civil organisations has significantly improved for the last two decades. *Though the development of the legal and economic regulations was neither smooth nor fully consistent, it moved in a positive direction.* The subsequent regulatory steps may not reflect a firm concept which would have been carefully thought over, but altogether they still reveal some important tendencies.

The most striking of these tendencies are *the gradual transition of a loose regulatory framework into a detailed regulation and the diminution in tax advantages.* In the early 1990s, the procedures of the court registration were simple and free from bureaucracy. Nonprofit organisation had to meet very few formalised conditions in order to get direct government support; their tax exemption and the tax deductibility of donations to foundations were practically unconditional. The administrative and accounting rules were not fully developed yet. Under the climate of boundless enthusiasm for the newly gained liberties, the disadvantages of a sketchy regulation and the serious dangers of the lack of control over the use of public support and tax privileges were generally neglected. These dangers became known only as a result of various scandals (quick loss of endowment by foundations financed from the state budget, bankruptcy of economically weak nonprofit service providers, tax abuse by fake foundations, service fees disguised as donations) in the first half of the 1990s. As a reaction to these problems, the regulation of the non-

profit sector started to change and this process is still not finished. The rules guiding the functioning of civil organisations have become much more detailed, more complicated, and more differentiated; the tax advantages have been cut. The administrative obligations have gradually widened, the transparency and accountability requirements have become much stricter. New, more state controlled legal forms of nonprofit organisations (public benefit companies, public law foundations and public law associations) have been created for the nonprofit provision of public goods and distribution of public funds. All these changes have been accompanied by a decrease in the less transparent indirect state support, especially in the tax deductibility of individual donations and in the tax exemption of the nonprofit organisations' business income not related to their basic, public benefit activities.

An analysis of the changes in tax policy towards the voluntary sector can also detect another important trend, that of *a gradually strengthening connection between the public support of nonprofit organisations and the public benefit character of their activities*. The tax policy have always tried to differentiate between the public benefit organisations and those civil groups which only indirectly serve public purposes though this effort was not explicit in the beginning. At the first stage of development, this differentiation was based on a rough simplification. The dividing line was drawn between the foundations and voluntary associations referring to the fact that foundations can only be established in order to serve public purposes while voluntary associations can decide to serve only their own members. Accordingly, the tax treatment of foundations became more advantageous than that of the voluntary associations and other membership organisations. The organisational form as a basis of tax treatment and the system of tax advantages lacking any control of the actual organisational behaviour proved to be increasingly dysfunctional. Thousands of foundations were established (in many cases by voluntary associations in order to raise tax deductible donations for them) in the first half of the 1990s, thus the share of organisations enjoying preferential tax treatment increased a lot. This made obvious that the foundation/voluntary association distinction was not an appropriate way of finding the dividing line between the public benefit organisations and those voluntary groups which do not directly serve public purposes. The following efforts to develop another solution led to the birth of the law on public benefit organisations in 1998. This law defined the public benefit status, its degrees and the rules of getting registered as of public benefit. As a result, the public benefit status became the single most important condition for both preferential tax treatment and direct public support.

Finally, another tendency is also worth mentioning. This is the *decentralisation and democratisation of the decision making process in the distribution of central state support*. The two milestones of this process were two laws, one of them on the 1% system, the other on the creation of the National Civil Fund. Both of them delegated some part of the government's decision making power to private actors. They authorised taxpayers and elected civil society representatives to distribute a limited part of the budget support

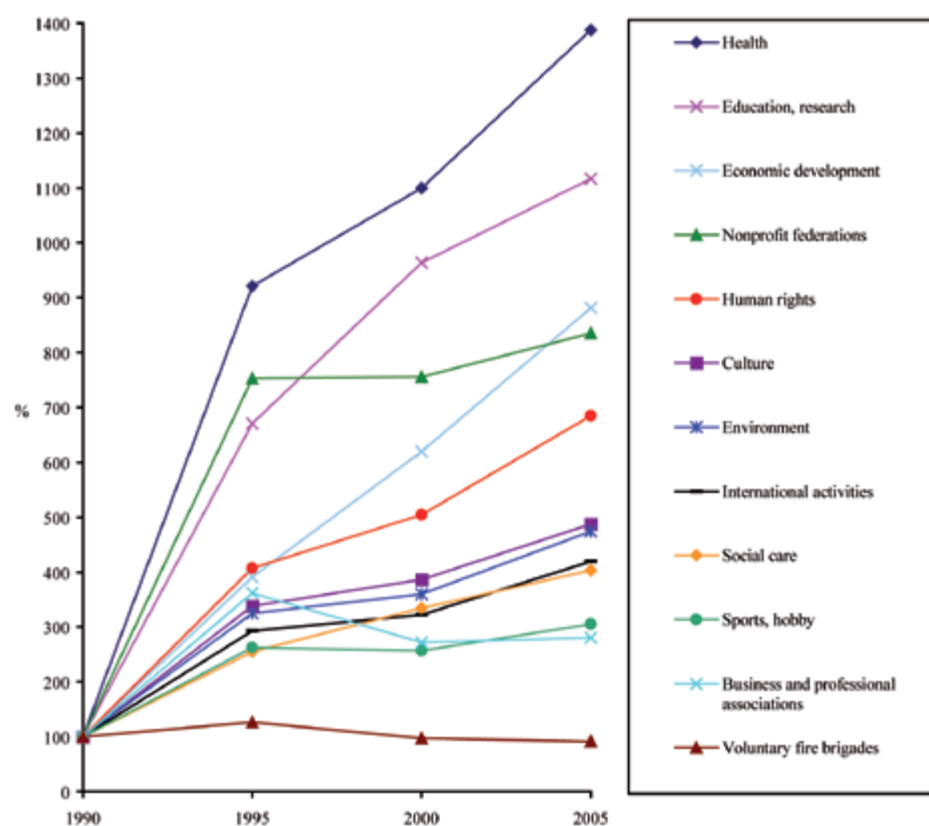
among nonprofit organisations. Thus the 1% system and the National Civil Fund enabled nonprofit organisations to get public support through intensive civil participation, in accordance with civil priorities and without endangering their independence from the state.

To be summarised, *the legal and economic regulations have created a wide institutional framework and favourable (though not ideal) conditions for the development of civil initiatives and nonprofit service provision* since 1989. As it is reflected in the statistical data, the potential actors have appreciated the encouragement and they have taken the opportunity. This has resulted in an impressive growth of the civil sector.

A 1989 statistical survey found about 8,500 voluntary associations. The number of foundations was about 400 in the very same year. Nowadays the number of nonprofit organisations is more than six times higher; it exceeded 58,000 in 2006 according to the latest available statistical figures. The growth was especially rapid in the first half of the 1990s. This is not really surprising since this was the period when the Hungarian civil society became finally free to create its institutions; the disappearance of state monopoly opened the floor for the nonprofit service provision; and the nonprofit sector enjoyed an exceptionally generous tax treatment.

After 1995, the growth not only slowed down, it also became more differentiated. The development paths followed by different parts of the nonprofit sector started diverging. As it is visible on *Figure 1*, the shapes of the curves let us identify – at the cost of some simplification – three different types of growth. The nonprofit organisations engaged in health care, education and research, economic development, human rights, and social care are characterised by a *dynamic and steady growth* throughout the whole period. The curves indicate a *slowing growth* in the field of culture, environment, sports and recreation, international relations, and nonprofit federations. A *broken growth* is a major feature of the economic and professional advocacy organisations and the voluntary fire brigades.

Figure 1
Growth of the number of nonprofit organisations by fields of activity, 1990–2005



Sources: Kuti (1996), Central Statistical Office (1994–2007)

All fields that had been relatively developed in 1989 slowed down or stopped growing. By contrast, the growth has been especially rapid in the fields where nonprofit organisations participate in the provision of welfare services (e.g. health, education) formerly monopolised by the state or they take charge of new tasks (e.g. development projects, the protection of human rights). As a consequence, the increase of the nonprofit sector's size is parallel with structural changes. However, the present situation still reflects the historical heritage as well as the impact of recent changes.

The current situation

Types of organisations

There are two basic legal forms (voluntary associations, private foundations) of classical civil society organisations under Hungarian law. Two other kinds of organisations (public law associations, public law foundations) are intended to offer an institutional framework for government related nonprofit activities. The legal forms of nonprofit service provision are changing right now, public benefit companies are disappearing while the nonprofit companies and social cooperatives have just started to develop.

Voluntary associations are autonomous membership organisations formed voluntarily for a purpose agreed upon by their members and stated in their founding articles. Associations must have registered members who organise to actively pursue the associations' aims. Although membership organisations are not necessarily called voluntary associations and special laws and government decrees may specify rules for some of them, the basic legal regulation of voluntary associations applies to all such organisations, including societies, clubs, self-help groups, federations, trade unions, mass organisations, social organisations, etc. These organisations can be formed around common interests, intentions, concerns, hobbies, personal problems, age, residence, profession, occupation, or support for particular institutions, ideas, actions.

Public law associations are self-governing membership organisations which can only be created by the Parliament through passing a specific law on their establishment. The Academy of Sciences, the chambers of commerce and the chambers of some professions (e.g. doctors, lawyers, architects, etc.) have been transformed into public law associations since the creation of this legal form. Although the legal regulation of voluntary associations generally applies to public law associations, the government may vest additional authority over their members in this kind of associations (e.g. official registration, quality control, the issue of licences, etc.).

Foundations are organisations with endowments established to pursue durable public purposes. Their founders can be either private persons or organisations with legal personalities. Unlike associations, foundations do not have members. They are managed by a board. Their founders are not allowed to have a significant influence on the decisions of this board. Private foundations can take several different forms, including operating foundations (e.g. foundations operating schools, nursing homes, health and cultural institutions; providing social services; publishing books and journals; managing local radio and television stations, etc.); grant seeking foundations exclusively supporting public institutions such as libraries, theatres, museums, schools, universities, hospitals, research institutes that established them or pursuing particular aims and projects such as the creation of monuments, organisation of festivals, or development of art collections; grant-making foundations that support either projects or organisations; and corporate foundations mostly supporting present or former employees of the companies.

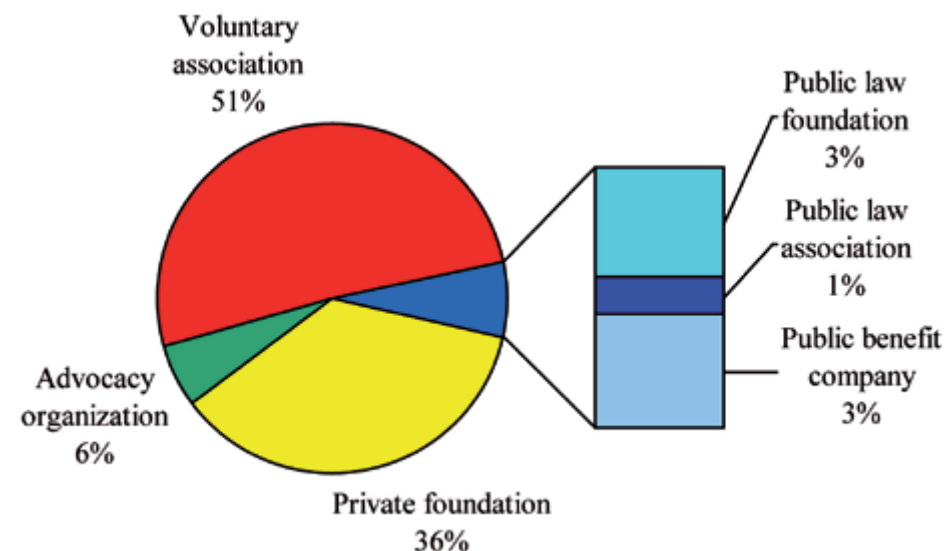
Public law foundations are foundations established to take over some government tasks (e.g. education, health care, public safety, etc.) which are defined in law as government responsibilities. Their founders can only be the Parliament, the Government and the municipalities. (This is the only kind of foundations these organisations can establish, they are not allowed to create private foundations, at all.) The public law foundations are kept financially accountable by the State Comptroller's Office. The founders can initiate the dissolution of a public law foundation if they think its function can be more efficiently fulfilled by another type of organisation. The property of the dissolved public law foundation reverts to its founder. Apart from these special provisions, the basic legal regulation of private foundations applies to public law foundations, as well.

Public benefit companies and their successors, the *nonprofit companies* are private firms which generally produce public goods, thus they can get the public benefit status. Their occasional profit cannot be distributed among their owners, managers or employees; it must be used to pursue their public purposes. Apart from the non-distribution constraint, it is the basic economic regulation of the ordinary private firms which applies to them. This legal form best fits the nonprofit service providers which cannot reasonably be organised as either foundations or voluntary associations. In some sense, the newly emerging *social cooperative* is already an intermediate legal form, halfway between the nonprofit and the for-profit sector. The importance of their membership, their public purposes and their eligibility for the public benefit or even eminently public benefit status link social cooperatives to the voluntary sector, while the evaporating non-distribution constraint is a point of similarity with the private for-profit corporations.

The present Hungarian nonprofit sector consists mainly of *private foundations* and *voluntary associations*. As Figure 2 shows, these two groups account for nearly nine tenths of the 58,000 nonprofit organisations. The share of advocacy organizations (which are also registered as voluntary associations) is only 6 percent. The state-controlled public law foundations and public law associations and the 'company-like' nonprofit service providers altogether account for only 7 percent of the nonprofit sector.

The institutional form most preferred by the civil society actors is the voluntary association. About half of the nonprofit organisations and more than 85 percent of the membership organisations are registered in this legal form. The share of the professional, economic advocacy organisations, employers' federations and trade unions is meagre. This gap between the two kinds of membership organisations probably explains by their different background. While the democratisation of the country created favourable conditions for the proliferation of voluntary associations, the transition towards market economy was much less favourable for economic advocacy. The privatisation, the mushrooming of new enterprises (including forced self-employment) and their struggle for survival, the extremely sharp and not always fair competition between the economic actors hindered the development of employers' federations. The very same factors also had a negative impact on the employees' side. The 'fragmentation' of companies, the emergence of unemployment and the resulting uncertainties of job, the endangered existence prevented the employees from forming strong trade unions.

Figure 2
Composition of the nonprofit sector by types of organisations, 2006



Source: Central Statistical Office (2008)

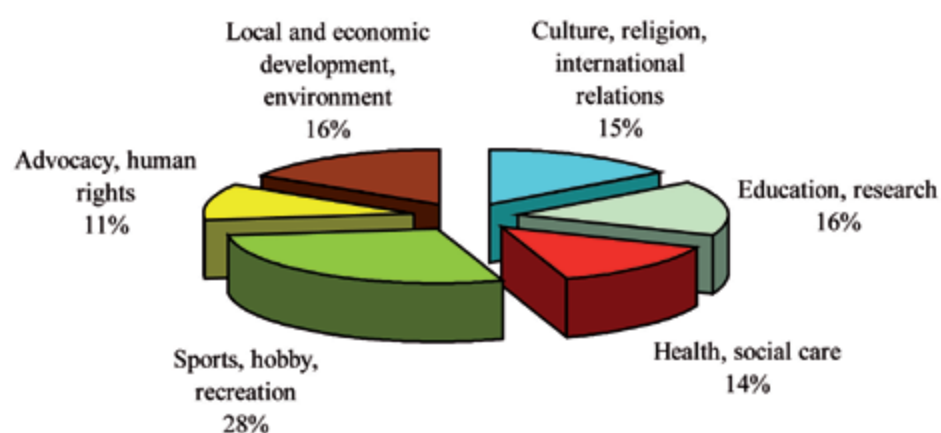
It is all the more important, then, that a large number of private foundations were established despite the economic difficulties even if their endowment was usually very small. Their share, which had been less than 5 percent in 1989, reached 36 percent by 2006. This very quick structural change clearly shows that Hungarian citizens contribute to strengthening civil society in several ways. Besides their community activities, they also play an active role in financing the alleviation of social problems and the provision of welfare services that are important in their judgment. Besides social participation through membership in voluntary associations, they also use the legal form of foundation for influencing – sometimes as initiators, sometimes as supporters – the development and implementation of social policy.

In terms of their number, the state controlled and the company-like nonprofit organisations have not gained much ground. Nevertheless, their economic strength enables them to get key positions within the nonprofit sector but they do not take this opportunity. Accordingly, for the time being this rather service oriented part of the sector practically does not participate in the everyday life of civil society.

Size, structure, and functions of the nonprofit organisations

Not only the size and the composition by legal forms but also the activity structure of the nonprofit sector has fundamentally changed since 1989. None of the activity groups is dominant any longer; the structure has become nearly balanced. The 58,000 nonprofit organisations can be broken down (Figure 3) into six categories of approximately similar size.

Figure 3
The composition of the nonprofit sector by fields of activity, 2006



Source: Central Statistical Office (2008)

The largest group of the nonprofit sector consists of organisations engaged in *sports, recreation and leisure activities* of people belonging to specific social layers. The joint pastime activities are traditionally organised by voluntary associations. Sport clubs, tourists', hunters', anglers', pigeon-fanciers' and radio-amateurs' associations, youth and pensioners' clubs are not only meeting points for their members, they also provide them with some (mainly infrastructural and information) services. They usually don't do anything else. They rarely run fund raising campaigns and only exceptionally take part in public life or civil actions. Nevertheless, they are important institutions of the social integration. In a company of people of similar interest, social status and cultural background, their members are likely to find or form community, build social capital, and develop communication skills.

A similar social integration role can also be played by the *cultural* associations which are usually organised around common cultural interest and taste, common ethnic and religious identity or in order to enlarge communication and exchange between differ-

ent cultures. Many of the nonprofit organisations belonging to this group aim at the protection of endangered values (e.g. cultural heritage, historic buildings, and folk art traditions). Avant-garde artists also happen to organise their activities in the framework of nonprofit organisations. Similarly typical purpose is the fund raising for and implementation of major investments (e.g. building a church, a theatre, a monument) or festivities (e.g. music festivals, international cultural events, folk art fairs). A very common type of the cultural foundations is the one which raises fund for the specific public institution (cultural centre, museum, library) it belongs to. There are a relatively small number of public law foundations which distribute the public funds targeted to support the cultural institutions of Hungarians living in the neighbouring countries. The nonprofit provision of some cultural services (local radio and television, publication of books and journals) is quite common, as well.

The overwhelming majority of the nonprofit organisations active in the field of *education* are foundations which raise funds for public kindergartens, schools and universities. There is only one more type of institutions which is worth mentioning, namely the foundations running their own nonprofit kindergartens, schools, languages schools, adult education centres. The landscape is a bit more various in the field of *research*. Besides the foundations supporting state run scientific institutions and the nonprofit research institutes, there are also a large number of scientific societies which offer the researcher of specific disciplines an opportunity to meet, to exchange ideas and to develop co-operation.

The field of *health* is characterised again by the dominance of foundations raising funds for public institutions. However, it also happens that the application of alternative therapies and medical treatments requiring modern or simply special equipments is organised in a nonprofit legal form. By contrast, the set of nonprofit organisations engaged in *social care* is much more colourful and more 'civil', too. The most numerous and most characteristic are the voluntary associations organised around common problems. Their main purpose is mutual help. They want to find common solutions, some way out from the temporary crisis or permanently critical situation of their members (e.g. disabled, alcoholics, large families, orphans). In a much smaller number, but it also happens that classical charities are established by individuals who want to help the people in need (e.g. mentally disabled, frail elderly, homeless).

Very different and extremely various are the activities of nonprofit organisations working in the field of *regional, local and economic development*. Many of them attack the unemployment problem and try to promote community development, economic co-operation and development projects. Many others focus on public security and on the protection of the built and/or natural environment. Citizens and public authorities (especially the local governments) are equally active in this field. The high number of voluntary associations shows that a large part of citizens are ready to participate in community actions and voluntary work in order to revive the local economy, to protect and beautify their neighbourhood and to develop the local infrastructure. Both the voluntary organisations of the unemployed and the foundations specialised in employment programs launch sometimes

business ventures and create jobs within their own institutional framework. Some of them also offer transit and sheltered employment thus helping the unemployed to get back to the labour market. Many of the municipalities establish service providing nonprofit organisations with the aim of creating local jobs and improving the supply of local welfare services. The central government and some foreign donors have established several large foundations promoting the economic development. Their major tasks are to encourage innovatory and experimental employment programs and to provide entrepreneurs and companies with financial support, assistance and advice. Their financial support is mainly available for small and medium size enterprises in the form of grants but they also run micro credit programs. Some part of their budget is generally used to finance training projects and to cover the costs of their counselling, coaching and assistance services.

Finally, the smallest group of the Hungarian nonprofit sector is that of the *advocacy and human rights* organisations. The protection of human rights is especially underdeveloped. The capacity of self-organisation seems to be especially weak among the people in need who might also suffer from social discrimination. The solidarity towards them could alleviate this problem but, under the present conditions, it generally takes the form of charitable behaviour. There are very few organisations which openly represent the interests of marginal groups and claim that they would deserve more attention and more equitable treatment. The organisations of employees are not too numerous and strong, either. The number of the professional advocacy groups, entrepreneurs' and farmers' associations, chambers of commerce and industries, employers' federations, smallholders' circles, viticulture societies, craftsmen's associations is somewhat higher. The majority of them are not only advocacy organisations. They provide their members with a series of services (e.g. administration, training, marketing).

Whatever is their actual field of activity, *building democracy* is one of the crucial roles of the Hungarian civil organisations. The majority of them try to express and actively address the needs of smaller or bigger groups of citizens. They usually share their efforts between *meeting the socio-psychological and practical needs of their members and representing their interests*. To some extent, the presence of a large and varied civil sector is a guarantee of pluralism and diversity in itself. Even voluntary groups performing ordinary activities embody some principles of civil society. In addition, numerous civil organisations have also been established with the specific aim to promote cultural, ethnic, religious and linguistic diversity, to educate citizens and to encourage social participation, to develop local information networks, and to actively influence policy making.

Civil organisations play several important roles in *introducing, shaping and implementing policies*. Sometimes they concentrate on solving problems through launching alternative or innovative service provision. In many other cases they try to shape public policy through providing the government with feedback on its ideas and proposals. It also happens that civil organisations take the initiative, develop their own policy alternatives and try to play the lead in the dialogue with government and political decision makers.

Service provision is also a function of growing importance in the Hungarian civil sector, a large number of new nonprofit ventures have emerged for the last couple of years. The initiative mainly comes from the potential clients and other stakeholders (e.g. unemployed people, parents of disabled children) or enthusiastic professionals (teachers, librarians, social workers, artists, etc.), but government authorities also appear among the founders (e.g. local governments establish nonprofit companies specialised in water supply, road maintenance or cultural services).

A series of foundations are vehicles of the *voluntary redistribution of wealth*. Though one can find some charitable foundations of the 'classical' type (e.g. poverty relief funds, organisations helping the disabled, homeless, refugees) among them, their most common function is still to raise donations for the public welfare institutions. The majority of the state run service providers have set up foundations in order to solicit private contributions.

The large grant-making (mainly public law) foundations have a different function. They are supposed to develop a *less centralised and more participatory way of distributing public grants*, to let stakeholders have a voice in the redistribution process. The social control over the redistribution process is guaranteed by the structure of the boards. They usually consist of experts and representatives of the target fields (e.g. culture, research, employment). They are expected to assure that the main flows of redistribution are consistent with the policy objectives and the actual grant making procedure still remain free from politicisation.

The above listed functions of the nonprofit sector are much too various to be fulfilled by a homogeneous set of organisations. Obviously, different roles must be performed by different actors: legal forms and organisational characteristics of the civil organisations must vary in accordance with their mission and activities. This relationship is important though only stochastic because institutional choice is always influenced by a series of factors (e.g. institutional environment, personal knowledge and preferences of decision makers) and considerations (e.g. the worry about independence, the financial requirements, the administrative burden of registration procedures, the tax treatment of different types of nonprofit organisations). *Hungarian nonprofit organisations do not always follow the traditional pattern of specialisation*. Foundations do not confine themselves to grant-making and grant-seeking; many of them are involved in service provision, as well. Moreover, a lot of the private foundations are also active in different types of advocacy activities and in building democracy. However, the prominent actors of advocacy are the public law associations, trade unions, business and professional associations, employers' federations, while voluntary associations play the single most important role in building democracy and meeting the socio-psychological needs of their members. The public benefit companies are (and the newly emerging nonprofit companies and social cooperatives probably also will be) almost exclusively service providers. The public law foundations are equally present in service provision and in distributing government money.

Employees, members, volunteers, social participation

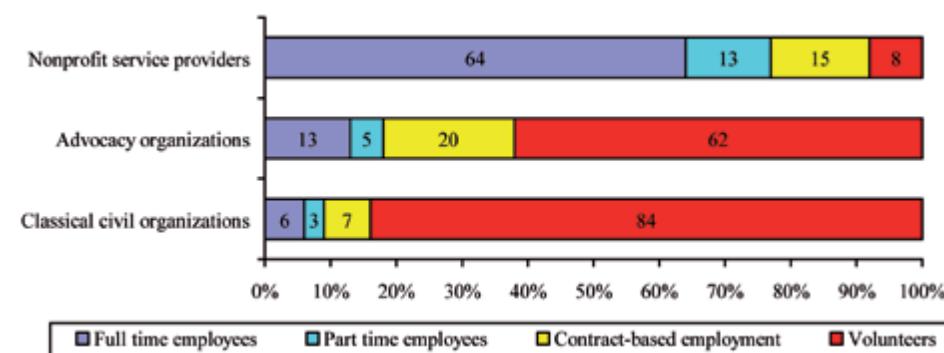
The nature of the nonprofit activities has a strong influence on the size and structure of human resources needed by the civil organisations. According to the official statistical figures, *more than half a million people performed some kind of work in the Hungarian nonprofit sector in 2006, but the number of paid employees was less than 100,000 and only 75,000 of them worked as full-time employees.* About 16 percent of the nonprofit organisations could afford employing paid staff and only 13 percent had full-time employees.

This extremely low employment level is explained, on the one hand, by the limited size and low income of the majority of nonprofit organisations. On the other hand, the very heavy social security and tax burden of the ‘official’, regular employment also plays some role in it. As a reaction to the high cost of regular employment, another method, the so called ‘contract based’ employment has developed in Hungary. This means that the organisations buy ‘services’ from self-employed small entrepreneurs instead of employing them as members of their paid staff, thus they can avoid paying social security fees. This ‘cost efficient’ solution is extremely widespread. The number of people who worked for civil organisations in this form was almost as high as 50 percent of the number of regular paid employees in 2005 when the Statistical Office collected information on them for the last time.

About half of the paid staff and almost one quarter of the people employed as contractees worked for the nonprofit organisation engaged in service provision. By contrast, 93 percent of the volunteers helped the classical civil organisations. Only a very small part of the paid employees were employed by the advocacy organisations. They could not rely on a significant amount of voluntary work, either.

The composition of the total amount of human resources (*Figure 4*) clearly shows the relationships between the labour market behaviour of nonprofit organisations and their field of activity. The nonprofit service providers rely on legally employed, full-time staff much more than any other kind of civil organisations. The share of ‘contract based’ employment is especially high in the field of professional and economic advocacy. The single most important component of the human resources available for classical civil organisations is the work of volunteers.

Figure 4
The composition of human resources by types of activities, 2005



Source: Central Statistical Office (2007)

Due to the outstanding importance of the voluntary work in the life of civil organisations, the results of the survey of volunteering deserve special attention. In fact, this was a survey of the giving and volunteering activities of private individuals 14 years of age or older. According to the survey results, *the share of volunteers was nearly 40 percent in 2004. However, only 10 percent of the respondents volunteered in an organised form and even less, only 8 percent helped a civil organisation with voluntary work.* These figures indicate that there is a huge untapped reserve of human resources which would be available free of charge for nonprofit organisations. A large part of the citizens work already as informal volunteers. Thus it can be relatively easy to convince them that some part of their voluntary work should help civil organisations.

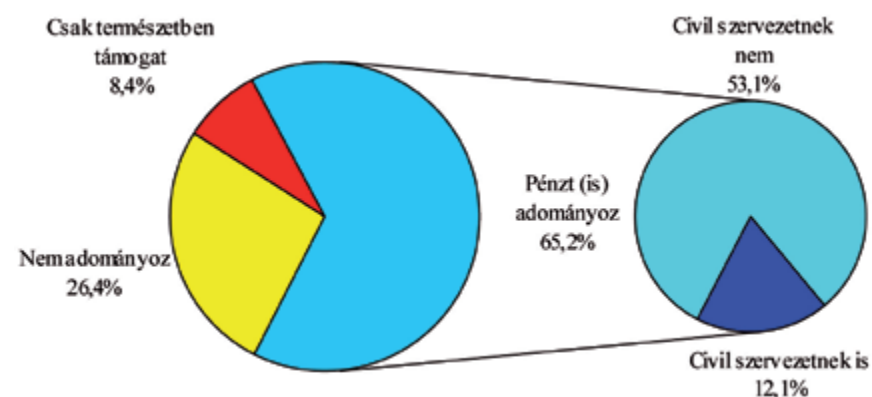
A similar conclusion can also be drawn from the membership data of the very same survey. About 20 percent of the respondents reported that they were members of some voluntary associations and/or trade unions, professional and economic advocacy organisations. This means that 1.7 million people have some (though sometimes only formal) connection with civil organisations, thus they are potential volunteers. To persuade members into actual volunteering naturally needs serious efforts and a lot of work on the part of civil organisations. These efforts are all the more important because there is more at stake than just to exploit the human resources potentially available through voluntary work. Another major aim is to help marginalised people with weak social ties. The active membership in and the voluntary work for civil organisations might enable them to develop and diversify their social relations and to become more emancipated members of the ‘network society’. For these people *volunteering might be an important vehicle of social participation and social integration*, as well. Mutatis mutandis, the same holds true for giving which is, in fact, another basic form of voluntary help.

Individual and corporate donations, charitable behaviour, corporate social responsibility

Individual giving is crucial to a healthy civil society. It plays an important role in ensuring the financial conditions for the nonprofit organisations' quick, innovative and subtle reactions to the social challenges identified in co-operation with the citizens, relying on their indications and encouraging their voluntary contributions. The very presence of a series of different stakeholders is already some guarantee of the development of various approaches to and financially feasible alternative solutions of the problems. The interests, intentions, ambitions, psychological needs experiences, values, relationships and motivations of the donors are so diverse that the civil organisations seeking citizens' support have all their chance to find some contribution to their programs.

Figure 5

The share of donors among individuals 14 years of age or older, 2004



Source: Czike–Kuti (2006)

Figure 5 equally shows the enormous potential and the difficulties of taking this opportunity. It is not easy at all to attract individual donations. Though nearly three quarters of the adult population (more than 6 million private individuals) supported some people in need, cause-related actions or institutions in the form of financial or in-kind donations, the share of donors who gave money to civil organisations was only 12 percent in 2004. Cash donations were available through three different mechanisms. Direct solicitations (begging, collections for good causes, campaigns for helping the victims of natural disasters, etc.) yielded an estimated total of 13 billion HUF. Beneficiaries received contributions of about

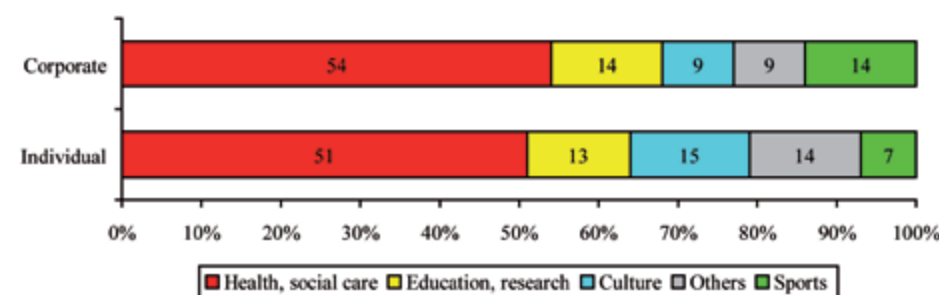
8 billion HUF through charitable purchases. The estimated amount of cash donations to civil organisations was 12 billion HUF while the churches collected about 7 billion HUF.

The composition of individual donors by types of the beneficiaries of their contributions makes it absolutely clear that the nonprofit organisations were not much more successful in gaining the favour of donors than in recruiting volunteers. Only a very small part of the actual donors supported them. The donors' attitudes have moved towards traditional charity for the last decade. They tend to help the people in need. The share of donations directed to the fields of health and social care has significantly increased. When asked about their motivations, the overwhelming majority of the donors mentioned the satisfaction resulting from charitable behaviour.

This finding of the individual giving and volunteering survey is all the more important because it tallies with the results of a survey of corporate donations (Figure 6). The motivations behind the decisions of corporate actors are very similar to that of the individual donors. More than half of the total amount of both individual and corporate donations flow to the fields of health and social care.

Figure 6

Composition of the amount of individual and corporate donations by fields of activity of the beneficiary civil organisations



Note: The year of the corporate survey was 2003; that of the individual giving survey was 2004.

Sources: Kuti (2005), Czike–Kuti (2006)

Nearly two thirds of the Hungarian companies support the nonprofit organisation in some way, but their donations are motivated by almost the same solidarity considerations as those of the private individuals. Though the concept of corporate social responsibility is gaining ground, it is put into practice almost exclusively in the form of traditional charity. It has not become generally accepted, yet, that private companies as stakeholders also have an interest in promoting local development and solving social problems in co-operation with civil organisations.

These tendencies suggest that something is wrong with the fund raising activities of non-profit organisations. While it is good news that the compassion-based collection campaigns are extremely successful, one can hardly accept the neglect of other important opportunities. It is most probable that much more various and more sophisticated approaches would be needed. Besides the spectacular but impersonal huge fund raising campaigns, nonprofit organisations should try to collect donations through smaller, more targeted and more personalised actions and to build permanent relations with their potential donors. They should not neglect the donors' interests as possible motives for contributions. Both private individuals' and companies' donations could be increased by offering them various opportunities to contribute to the development of their immediate vicinity and local community and to the amelioration of local services. These efforts could lead to the augmentation of the share of private donations within the nonprofit sector's income, which would not only increase the funds available for civil organisations, but also their legitimacy.

Revenue structure and financial characteristics of the nonprofit sector

According to the latest available official statistical data, the *revenue of the nonprofit sector was 896 billion HUF in 2006. This sum came from three major sources, namely private donations (126 billion HUF), state support (378 billion HUF) and earned income (392 billion HUF).*

The share of the private donations was only 14 percent. More than half of it originated from the above already analysed corporate and individual giving. Its third important component was foreign support (mainly from European Union sources). The contribution of Hungarian foundations, churches and other nonprofit organisations remained negligible.

The private support being meagre, civil organisations had to rely on earned income which consisted of service fees, sales of products, membership dues, investment income and unrelated business income. In fact, their efforts to generate revenues through economic activities were quite successful. *The earned income accounted for 44 percent of the nonprofit sector's total revenue in 2006.* This figure indicates that civil organisations are financially much more dependent on the market decisions of citizens as consumers than on the charitable behaviour of citizens as donors. The fees charged for mission-related services are the single most important element of the earned income. This reflects that the scope and variety of nonprofit services are large, the civil organisations supply what their members and clients need and they are flexible in satisfying consumer demand. This is why they can generate relatively high fee income even in a period when the market of welfare services is rather depressed and a large part of the potential consumers struggle with serious financial difficulties. The unrelated business income and the return on financial investments (interest and dividends) are less significant than the fees from mission-related activities but they still amount to one third of the earned income.

The public support which accounted for 42 percent of the nonprofit sector's income in 2006 is only the second most important revenue source, and this is a big difference between the Hungarian and the Western European revenue structures. The actual forms of government support are manifold. Nonprofit organisations can receive state support in many different

forms, through various mechanisms of distribution. If they deliver public services, they can get 'normative' (per capita) support which is closely related to their accomplishment (usually the number of their clients). For example, officially accredited nonprofit services (e.g. education, social care) are eligible for this per capita support. However, the term 'normative support' also has a more general meaning in common parlance in Hungary. The government support to civil organisations fulfilling some tasks of organising community activities (e.g. leisure or sports activities of children and students) is also distributed on a per capita basis, thus it is called normative support. Similarly, the number of members is the basis for subsidising some nonprofit organisations (e.g. vine growing communities) engaged in economic development and in self-regulation of economic activities.

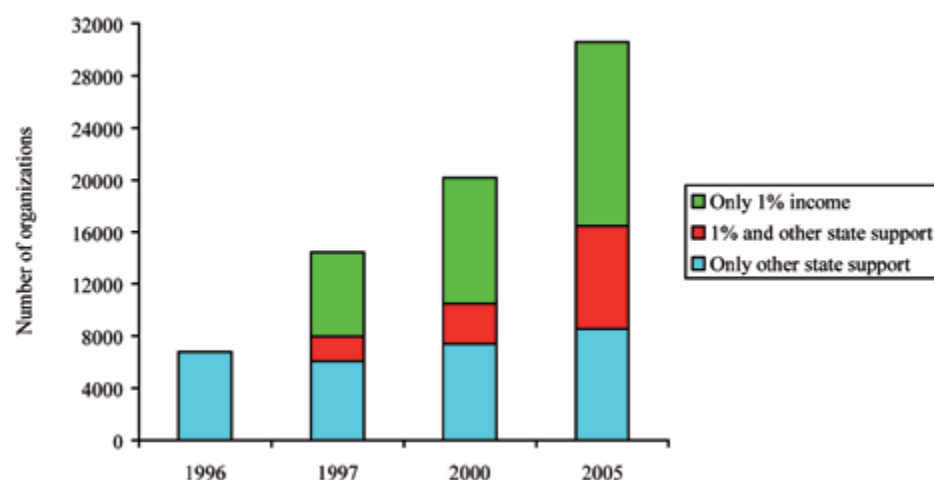
Nevertheless, the overwhelming majority of the central and local government grants are project-related, thus they are distributed at the discretion of competent authorities. Their distribution is not governed by fixed rules; the preferences of the decision makers have an almost unlimited influence on it. There is not any guarantee in this process, the government grants can be increased, decreased or even stopped year by year. Not only the principles and directions but also the mechanisms of the distribution of state support can be freely changed. The decisions can be made by different public authorities (government, prime minister's office, ministries, Parliament, etc.) but the decision making power can also be conferred to civil servants, committees or boards. Consequently, the size and distribution of government grants are equally influenced by personal attitudes and interests, political considerations, power relations, advocacy capacities, and – in an ideal case – by the concepts and intentions concerning the future of the civil sector.

This raises two important issues. One of them is the endangered *independence of civil organisations*; the other is the limited *availability of public support*. There have been developed two different financing schemes in order to alleviate these problems in Hungary for the last decade. These redistribution methods try to ensure that a large number of civil organisations have access to support from the central budget and they still remain independent from the benevolence of government decision makers. These two supporting techniques are the 1% system and the National Civil Fund.

The 1% system permits that taxpayers transfer one percent of their personal income tax to a civil organisation of their choice. The overwhelming majority of the registered nonprofit organisations are eligible for 1% designations if they perform public benefit activities, they are not related to political parties and they are no arrears of tax and duties. The 1% designation is part of the tax declaration. The financial transfer itself is made by the tax authority. If the taxpayer does not name a recipient organisation or makes some formal mistake when preparing the designation declaration, his/her whole tax remains part of the central budget.

The 1% scheme solves the independence/public support problem in a specific way. Since the government has no voice in the distribution of this special support, its beneficiaries can get some support from the state budget without becoming dependent on government authorities. The delegation of the distribution decision to the taxpayers also guarantees the general availability of this kind of budget support.

Figure 7
Civil organisations access to 1% and other kinds of state support, 1997–2005



Source: Central Statistical Office (1998–2007)

As it is shown by *Figure 7*, the 1% scheme doubled the number of civil organisations supported from the central budget in the very year of its introduction (in 1997) and this growth has continuously increased since then. Even the small grassroots organisations unable to find their way in the labyrinth of the state redistribution have their chance of persuading the taxpayers to select them as the recipient of their 1%.

Besides the 1% scheme which lets private citizens decide on the distribution of public support, another institution of decentralised funding decisions was also established in 2004. The National Civil Fund (NCF) involves knowledgeable civil society leaders in the distribution process. The NCF's budget is linked to the actual size of the 1% designations. In a given year, the NCF receives from the state budget exactly the same amount of money of which the taxpayers' designated the recipients in their tax declarations earlier that year.

The most important objectives of the National Civil Fund are to strengthen civil society, to help civil organisations taking an active role in social life and to promote partnership between government and civil society. Only voluntary associations and private foundations are eligible to get support from the Fund. Parties, trade unions, employers' federations, mutual insurance associations, churches, public benefit companies, and public law foundations established by government authorities or municipalities are explicitly excluded. Under the provisions of the law, the National Civil Fund has to

facilitate the institutionalisation and professionalisation of civil organisations mainly through covering some part of their running costs. At least 60 percent of the Fund must be spent on this purpose. 10 percent covers the administration costs of the NCF itself. The rest of the money may be devoted to a variety of projects that are likely to strengthen the sustainability of the nonprofit sector as a whole. Apart from these general provisions, the elected decision making bodies have the right to develop the grant making policy and practice of the National Civil Fund.

The civil sector leaders who are members of the NCF Council and Boards have to change their viewpoint; they are obliged to shift from representing their particular organisations to acting in favour of the voluntary sector as a whole. Involved either in developing the policy guidelines or in actual grant-making, they have to take enormous responsibility. Their efforts to live up to these expectations are likely to broaden their horizon, deepen their understanding of sector-wide challenges, and improve their co-operation skills. These skills are highly needed both within the civil sector and in the government/nonprofit relationships.

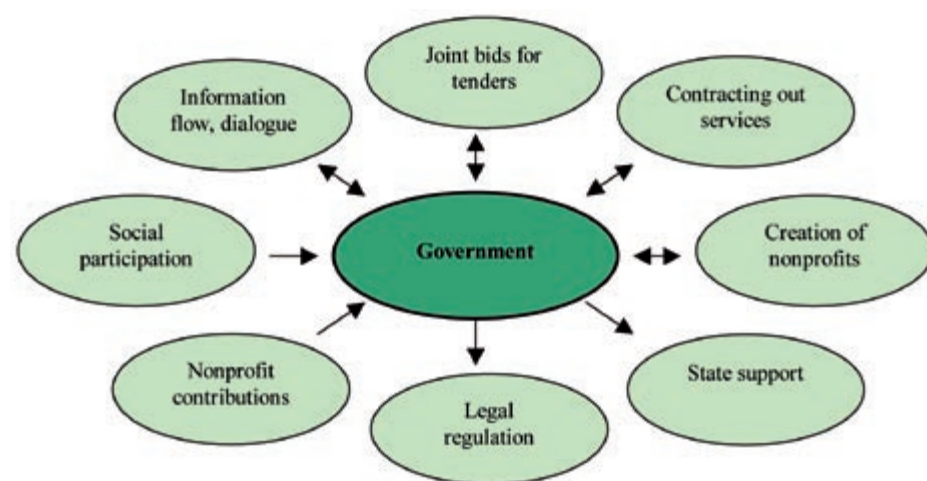
Relationships between the government and the civil sector, the government's civil strategy

Several new fields and forms of the government/nonprofit co-operation have developed in Hungary since the systemic changes. They range from ad hoc joint actions focusing on a single issue or on a concrete project to contract relations and well established division of labour. As it is indicated by the arrows displayed on *Figure 8*, the government/civil relations are not only multiform, their directions are also various. In these relationships the government bodies can be supporters or supportees, sources or recipients of information, they can play an active role or wait for civil initiatives.

Social participation, social control: The civil initiatives are manifold in the field of interest representation and expression of public opinion. Their methods include protest actions and proactive civil initiatives, advocacy activities full of conflicts and peaceful joint efforts in strategic thinking. It also happens that civil society representatives are elected or co-opted into public decision making bodies, thus their participation in policy making is officially acknowledged and institutionalised. The selection of the actually applied methods depends a lot on whether government authorities are ready to regard civil organisations as partners and provide them with all the necessary information. The behaviour of the Hungarian government has significantly improved in this respect. Besides the application of the more or less traditional techniques of consultations, negotiations, recommendations, bargaining, agreements, co-decisions, etc., it also happens that civil actors are authorised to make some public decisions. The proliferation of the national, regional and local consultative forums and civil roundtables seem to prove that both government and civil organisations agree on the necessity for the social dialogue and make efforts in order to institutionalise it. Though the everyday practice is not always smooth, nobody questions that the open legislation, the civil participation in initiating, developing

and discussing social and economic measures can help the national and local governments to make decisions which are professionally well-prepared and generally accepted. This civil participation is also an important condition for the further involvement of nonprofit organisations in the implementation of these decisions.

Figure 8
*Forms of relationships between the government and nonprofit organisation,
directions of the benefit flow*



Source: Sebástény (2002) – Modified with the permission of the author

Support from civil organisations: As mentioned above, several Hungarian foundations raise donations for public institutions. In some cases, these donations serve the implementation of important investments (e.g. the purchase of hospital equipments), modernisation projects (e.g. computerisation) or outstanding programs (e.g. cultural festivals). In many other cases, they contribute to the ‘humanisation’ of public services or to the delivery of complementary psychological support (e.g. ‘clown-doctors’ visits to children hospitals). In addition, civil organisations also help government authorities and public institutions by sharing with them their specific knowledge on public issues and local circumstances. Their volunteers’ work is also a precious contribution. Not only its actual value is significant, the volunteers’ involvement in public projects is also useful because it improves these projects’ general legitimacy and thus their efficiency.

Dialogue, exchange of information: The dialogue with civil organisations has several functions in the work of government authorities. They receive important signals from the representatives of the civil sector. Besides the direct expression of the citizens’ problems, needs and opinions, the nonprofit organisations can also indicate possible solutions to these problems. Their initiatives and experimental projects may result in the development of innovative approaches also applicable in the public sector. When taking part in the debate on public projects, they frequently raise new professional aspects, which can significantly improve the quality of these projects and facilitate their implementation. The civil organisations also have an impact on the flow of information from the government towards the citizens. They can interpret and explain government initiatives, thus they influence their reception. The mutual willingness to co-operate is obviously a necessary condition for a constructive government/civil dialogue. In addition, some institutional infrastructure is also needed. This infrastructure has developed a lot for the last couple of years. There are special units and civil servants at all government levels whose task is to build relationships with civil organisations. The Parliament has its own Civil Bureau, departments and sections of civil relations have been established in the ministries. A growing number of local governments employ experts who are in charge of civil relations. The widening use of the internet facilitates a lot the exchange of information. The web pages of the government authorities are not only the vehicles of sharing information with the citizens; they can also be used for collecting civil reactions or as an interactive forum for public argument.

Joint bids for tenders: As a result of the accessibility of European funds through competitive tendering, the joint bids of civil organisations and government authorities (mainly local governments) have become widespread since Hungary’s EU accession. Joint applications for grants were already quite common before because they made accessible funds which would not have been otherwise available for either government or civil actors. The additional funds raised through these joint bids are not the only favourable outcome of this type of co-operation. Another positive impact can result from the very process of the preparation of joint applications. In the course of this work, the government and civil actors can discuss all kinds of matters and understand each other’s points. In an ideal case, they can also reach an agreement on the common interests and objectives of their community and they can develop joint actions and programs.

Contracting out services and government established nonprofit organisations: The closest co-operation between government and nonprofit organisations develops when government authorities decide to contract out the delivery of services which are traditionally provided by state run institutions. In an extreme case they may even establish nonprofit organisations for the provision of public goods. Both the selection of the contractees and that of the legal form of a nonprofit organisation to be established depend on the nature of the actual services.

Legal and economic regulations of the nonprofit sector: Besides direct public support and other kinds of financing nonprofit organisations, there are other, not less important sources of state influence on the civil sector. Through modifying the legal and economic regulations, the state actors can significantly change the conditions for civil initiatives and nonprofit service provision. The administrative burden on civil organisations highly depends on the regulation and actual procedures of their registration and public scrutiny. The preferential tax treatment represents more than 10 billion HUF indirect public support, any change of it can result in considerable loss or gain, then. In addition, the tax advantages have an impact on the donors' behaviour and on the economic activities of nonprofit organisations, too. The law on volunteering can create favourable conditions for the increase of voluntary work. A harmonisation of the numerous reports (balance sheet, tax declaration, statistical statement, report on the public benefit activities and on the use of the 1% income, etc.) could improve transparency and decrease reporting obligations at the same time. A consistent and transparent system of regulations could facilitate the development of mutual trust and partnership between the government and civil society.

Directions of the development of government's relations with civil society	
2002–2006 <i>The government's civil strategy</i>	2006–2010 <i>Government resolution on the planned measures</i>
<ul style="list-style-type: none"> – Increasing the share of government support within nonprofit sector revenues (reach at least 40 percent)* – Establishment of the National Civil Fund* – Preparation of the law on volunteering* – Civil participation in the preparation of bills, open legislation* – Support to nonprofit training and research* – Creation of a civil support centre in the Budapest region* – Simpler and more consistent legal regulation – Development of the official register of nonprofit organisations – Increasing the tax advantages of private donations – Readiness to develop a general agreement (a UK-style Compact) with civil society 	<ul style="list-style-type: none"> – Creation of a civil information site where all kinds of bills, calls for applications, and data on financial support are available – Development of an official register of nonprofit organisations generally available through the internet – Facilitating the administrative duties of civil organisations through the computerisation of procedures – Stabilisation of the statistical survey of the nonprofit sector – Promoting the international relations and integration of civil organisations – Preparation of civil action plans at the level of ministries biannually – Terminating parallelism and increasing efficiency in state subsidised professional services to civil organisations
* Implemented	

The efforts to develop such a partnership are not only detectable in the actual policy toward the nonprofit sector. Since 2002, the government's intentions and objectives have also been written down in a document discussed with civil society representatives. As it is displayed in Box 3, the objectives are not always fully achieved. There are also aims that must be temporarily or definitively given up. Nevertheless, the emergence of strategic thinking about government/nonprofit partnership is an important development. It will hopefully help the potential partners to collectively and thus successfully face the challenges of the transition period, including those of the EU accession.

European dimension, European citizenship

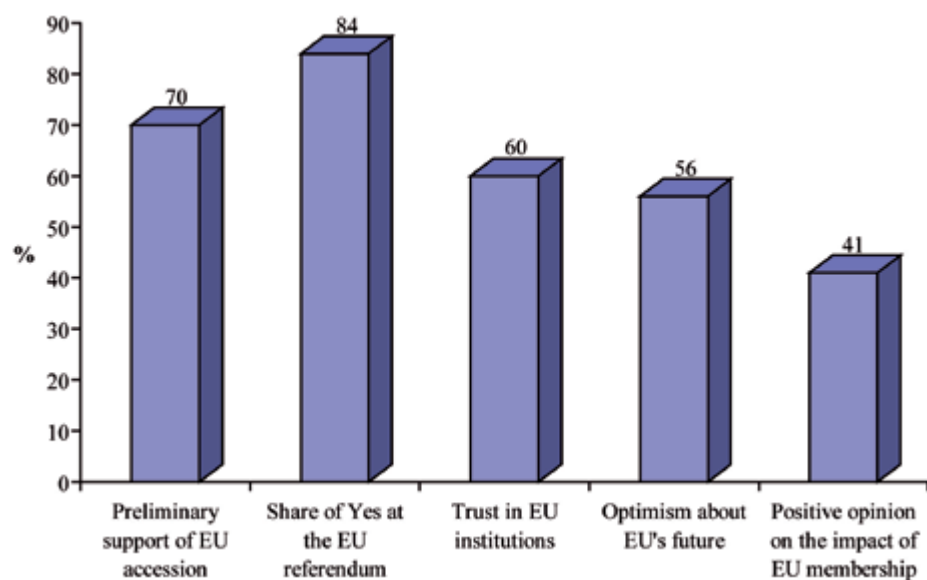
The EU accession was regarded by the majority of Hungarians not only as a chance to belong to the more developed part of the continent; it also had some symbolic importance. It symbolised an official acknowledgement of Hungary's 'European character'. No wonder, then, that the expectations were rather high, the attitudes rather positive, especially in the beginning.

Expectations and attitudes

The preparatory phase of the EU accession was extremely long; the expectations changed a lot in the course of this process. The optimism and euphoria of the early 1990s considerably decreased later on, partly as a consequence of the internal economic difficulties, partly as an outcome of the very slow negotiations. By the end of the decade, only 70 percent of the respondents of opinion polls (Figure 9) were unconditionally enthusiastic about the country's EU membership.

Figure 9

The share of Hungarian adult citizens having positive attitudes toward the European Union



Sources: Tárki (2002), Eurobarometer National Report (2007)

However, 84 percent of the voters agreed with Hungary's EU accession at the referendum organised on April 12, 2003. (It is also true that the participation rate was low, only 46 percent.) According to the Eurobarometer data, the trust in the EU institutions has not dramatically decreased since then despite the economic difficulties, social and political problems of the last five years. 60 percent of the citizens continue to trust the European Union. This relatively high share is especially important because all the Hungarian institutions are much less trusted. The indices of the government, the political parties, the churches, and the trade unions are only 21, 8, 43, and 23 percent, respectively. (Unfortunately, the survey did not include questions on the trust in civil organisations.)

More than half of the Hungarians are optimistic about the future of the European Union, but much less than half of them (41 percent) think that the EU accession has a positive impact on Hungary, while only 18 percent of the respondents suppose that the impact is negative. The rest of the citizens think that the EU membership has not seriously influenced the development process in Hungary yet.

Only 12 percent of the Hungarians are satisfied with the general level of knowledge on EU issues and about one third of them explicitly complain about the scarceness of the information available to the public. At this point, one can hardly avoid raising the question of civil organisations' related tasks and responsibilities.

The role of civil organisations in the preparation and adaptation process

There is nothing new to be discovered about the importance of civil organisations as agents and opinion leaders, about their impact on the changes of Hungarian citizens' behaviour and attitudes toward the European Union. The experts and civil society representatives have emphasised since the mid-1990s that *the efficiency of the information and adaptation process can only be improved with the participation of the population's voluntary communities*. By the end of the decade, the same idea also appeared in the government's communications plans, all the more because in the meantime the development of a dialogue with citizens became a generally accepted requirement in the European Union. Besides having some impact on the government, the European Commission's White Paper on European governance also mobilised civil organisations. They organised a series of consultations on the White Paper. The results of these consultations were summarised in a joint declaration signed by the participants of the endeavour. This document stated that civil organisations are indispensable actors of the government's dialogue with citizens and they must be active participants of spreading information on the European Union and preparing the society for EU membership. The signatories of the declaration also created an open network called 'Civil Forum for the European Integration'. Besides claiming its right to take part in the negotiations on Hungary's EU accession, this network also tried to give an expression to the civil sector's opinion, intentions, proposals, and to enhance the exchange of information on integration issues.

In fact, the government relied on nonprofit organisations in the communication campaign of the EU accession. It even established a public law foundation for the preparation of the referendum on EU membership. The partnership with civil organisations was an outstanding element of the government's communication strategy, and its practice – as it is shown for example by the 'Civil Yes to Europe' campaign – was really guided by this principle.

The partnership has not weakened after the successful referendum, it seems even to stabilise and widen. This is not only an outcome of the government's and civil organisations' willingness and efforts to co-operate. The need for partnership also results from the numerous challenges and tasks brought about by the EU membership. Concerted actions are absolutely necessary; otherwise the Hungarian society will not be able to cope with the difficulties and to take the opportunities. In this context we can equally mention the difficulties of the adaptation to EU regulations and their harmonisation with the national traditions and practice or the development opportunities offered by the support available from the EU Structural Funds. The distribution and actual use of this latter are not only an organisational task; strategic and policy decisions also have to be made. To gain social acceptance for these decisions is only possible if civil organisations take part in their preparation and have a real impact on the decision making process.

Civil participation in the projects funded from EU sources

The National Development Plan (NDP) guiding the use of the EU support was first developed for the period of 2004–2006, then for the years 2006–2013. The government employees responsible of the process made some efforts to gain a large consensus already in the preparatory phase of the first NDP. They invited nearly 900 partners to participate in the debate. About one third of them were civil participants, mainly organisations either registered on the official lobby list of the Parliament or delegated by the federations of economic and professional advocacy organisations. The preparation of the second National Development Plan brought about important changes in the sense that civil organisations did not wait for invitation any more, they took the initiative. They created a task force called 'Civil Organisations for the Transparency of the National Development Plan'. Its members not only participated in the professional debate, they also worked as a pressure group. They developed declarations and press communiqués, organised public debates and made preparatory materials available for the general public using the internet. Though they failed to define the development of civil society as a priority of the 'New Hungary Development Plan' (NHDP), their efforts were still successful. They have achieved that the civil approach is present in every specific field where it is reasonable and the civil organisations will play important roles both in the implementation and in the monitoring of EU projects. It would be too early to evaluate the NHDP practice, but the *experiences of the first National Development Plan* suggest that civil organisations are ready and capable to perform these kinds of tasks.

The major aim of the first NDP was the improvement of the quality of life. As vehicles of achieving this objective, it defined the enhancement of competitiveness, more efficient utilisation of human resources, protection of environment, and more balanced regional development. In accordance with these priorities, a sophisticated application system was developed. Nonprofit organisations could apply for EU grants through this system. Though the development of civil society was not an independent target field, nonprofit organisations were still eligible for support in many fields of activity (e.g. solution of unemployment problems, supporting economic development and entrepreneurs, education, professional training, rural development, environment, etc.) where they had already delivered growingly important services before the EU accession.

Accordingly, about two thirds of the competitive tenders were open for nonprofit organisations. Though they had to compete for grants with for-profit enterprises and public institutions, *the civil actors proved to be surprisingly successful: they received about 10 percent of the distributed amount and 16 percent of the sum which was potentially available for them. Their grants mounted up to 66.5 billion HUF between May 2004 and April 2006.* (This was about six times higher than the sum of foreign grants which flew into the nonprofit sector as whole in 2003, the last year before the EU accession.)

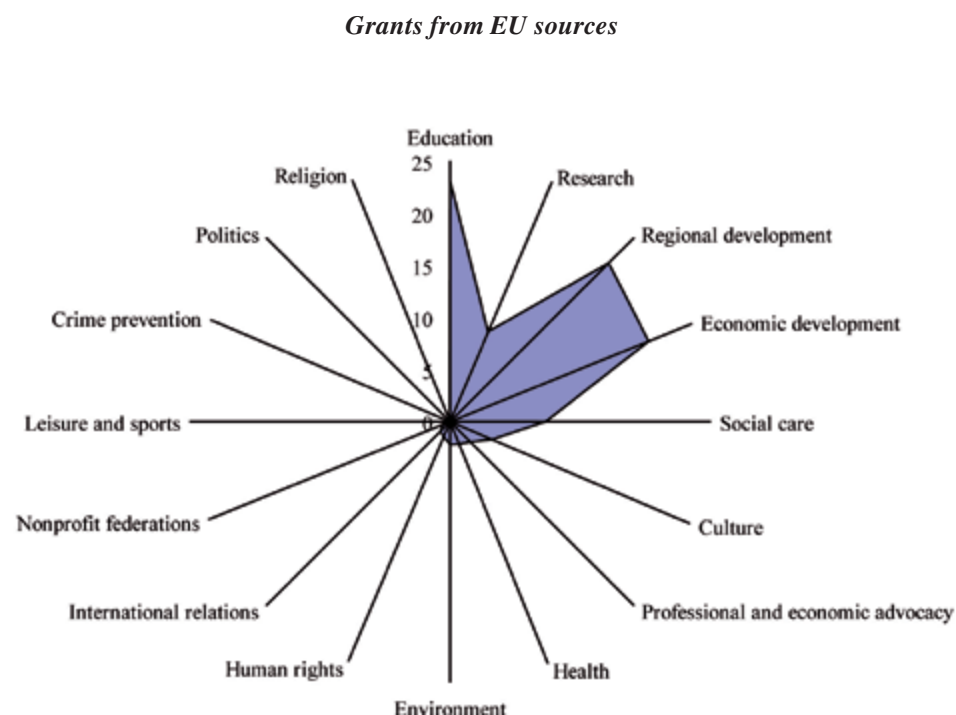
A large part of the grants gained by nonprofit organisations covered the cost of projects which aimed at promoting the social integration of disadvantaged people, helping them to get (back) to the labour market, and offering them education and training. About two thirds of the amount targeted to local employment projects flew to nonprofit applicants. They played an exclusive role in the provision of investment advice. Civil applicants received about nine tenth of the amount available for the development of entrepreneurial culture and one third of both the support for communication infrastructure and for rural tourism.

This list of the most successful nonprofit applications already suggests and *Figure 10* clearly shows that the distribution of the support of EU-origin was far from even; its composition proved to be very different from that of the nonprofit sector revenues. Three quarters of the amount were gained by nonprofit applicants engaged in activities which fit the priority fields (education, research, economic and regional development) of the National Development Plan. Other important fields of the civil sector hardly received any support from the EU sources.

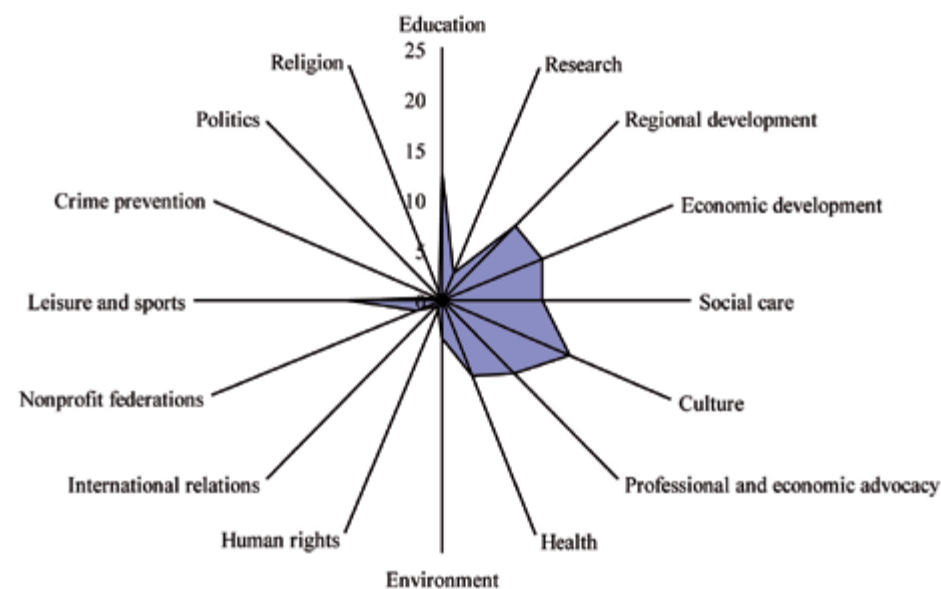
The chances to get this kind of grants also varied according to the size of organisations. The NDP grants were almost exclusively available for large and strong, highly institutionalised nonprofit organisations which were prepared for strategic thinking, ran systems of analytical records, accounting, controlling and quality management, all necessary for the efficient, well-documented, transparent use of the grants; and were able to develop sophisticated professional and financial reports at the end of their projects.

Figure 10

Composition of the nonprofit sector's income from EU grants and its total revenues, %



Total revenues of the nonprofit sector



Sources: National Development Office (2006) and Central Statistical Office (2008)

For the time being, there are very few organisations of this kind in the Hungarian nonprofit sector. This is why the civil actors lobbied for the inclusion of the development of civil society among the priorities of the New Hungary Development Plan. Though these efforts were not successful, some NHDP objectives (e.g. social inclusion, social participation) are wide enough to leave room for the civil organisations' capacity building projects. One can hope, then, that not only the nonprofit service providers specialised in employment issues (thus directly related to the number one priority of the NHDP) but also other civil organisations focusing on identity building, psychological support or advocacy work will have access to the grants of EU-origin. Strengthening this latter group would be all the more necessary because building Union level civil relations is among the top challenges of the near future.

Union level civil relations

The EU institutions are now obliged to develop a dialogue with civil organisations in order to learn from them about the interests, opinion and preferences of European citizens. This dialogue needs, however, some institutional background on the civil side, as well. There is a need for well established, European level civil federations and networks which are prepared for professional and political debates and for lobbying activities. The proliferation of European umbrella organisations indicates that civil actors try to face these challenges. The average Hungarian civil organisations are likely to have serious orientation problems when trying to find their place in the European networks, not to mention the professional, financial and language difficulties of joining them and participating in their work. That is why it is extremely important that the members of the Civil Forum for the European Integration have made a joint effort and established their Civil Bureau in Brussels.

The major task of the Civil Bureau is to provide Hungarian civil organisations with up-to-date information about the work of the EU institutions, the calls for grant applications, and the programs of the European civil networks. At the same time, it is also obliged to inform EU institutions about the development tendencies and the major civil society events in Hungary. In order to fulfil these functions, the Civil Bureau has a regularly updated website, publishes a newsletter and disseminates it among the Hungarian organisations interested in European issues. It also organises meetings, professional events, briefings and maintains permanent relations with the international press and with persons and organisations officially representing Hungary in the European Union. It helps the Brussels lobby activities of the Hungarian civil organisations, arranges the evaluation of EU documents and takes part in their analysis.

Important as they are, the professional and information services and the co-ordination efforts of the Civil Bureau naturally cannot substitute for the manifold relationships of Hungarian civil organisations with the European networks and umbrella organisations. There have been several indications of the intention to develop these relationships even from the part of the potential supporters for the last couple of years. For example, the National Civil Fund has created a separate board for supporting the efforts to develop international relations. The number of Hungarian members in international umbrella organisations has significantly increased. However, one must admit that there are serious internal impediments to any further development in this field. These are an outcome of the general state of the civil sector. Consequently, there is no other chance to solve the problems than to analyse the present situation and to face the challenges resulting from it.

Challenges and perspectives

On the basis of the above overview of the current situation, we can try to analyse the challenges the Hungarian civil society has to face in the near future and to identify the development perspectives and strategy alternatives. The major decisions to be made and the most important elements of an action plan can also be outlined. As a first step, it looks reasonable to use the well-known method of the SWOT analysis in order to evaluate the nonprofit sector's strengths, weaknesses and the related opportunities and threats.

<i>Box 4: SWOT analysis</i>	
STRENGTHS	WEAKNESSES
Lots of civil initiatives, strong social responsibility	Lots of wangling, semi-legal and illegal solutions
Relatively high share of donors	'Poor' donors, very limited tax advantages
Supportive government attitude toward the civil sector	Lack of trust in the government/civil relations
Established system of legal and economic regulation	Inconsistent regulation
Increasing service providing role	Inadequate financing, quality problems
Inventiveness and successes in fund-raising	Unstable and unbalanced funding
Several excellent experts	Weak management
Extended and expanding training	Few paid jobs, low wages
Strong research, rich literature	Poor application of research results in practice
Strong professional identity and commitment	Weak sectoral identity, lots of conflicts
Developing nonprofit information and support centres	Unsolved advocacy of the sector's interests

OPPORTUNITIES	THREATS
Organising the advocacy of the sector's interests	Increasing political dependence
Strengthening co-operation within the sector	Sharpening conflicts of interests, growing rivalry
Clear, consistent, sophisticated nonprofit regulations	Problems of transparency, reduced support
Establishing ethical code and quality standards	Scandals destroy the prestige of the sector
Prevailing subsidiarity principle, increasing support	Worsening financial and quality standard problems
Professional fund raising, growing donations	Permanent funding problems, slowdown in growth rate
Expanding the human resources of the sector	Operational uncertainties, unprofessional management
Strengthening nonprofit training and research	Huge gap between the supply and demand of skills.
Improving professional support of nonprofit operation	Divided sector, impoverished small civil organisations
Active role in shaping the EU norms	Neglected civil control of the EU programs
Active participation in the international co-operation	Remaining in the passive role of the 'followers'
Becoming self-confident European citizens	Strengthening narrow-minded provincialism

The list displayed in *Box 4* shows that the strengths and weaknesses (and even more the opportunities and threats) are closely related. We have to deal with the various aspects of the same phenomenon rather than isolated features of the sector that could be treated separately. It is important to emphasise this because the key question of strategy development is if we are able to intervene at the root of the problems, to initiate self-generating changes, to select a few of the thousands of tasks the implementation of which is expected to have a number of extensive impacts. An overview of the strengths, weaknesses, opportunities and threats focusing on their relationships and interactions can improve the chance of developing a solid basis for strategic decisions.

Strengths

The main strength, and, at the same time, the largest internal reserve of the Hungarian nonprofit sector is that citizens react to social problems in an active and solution-oriented manner. *There are a lot of civil initiatives*, and these often take a nonprofit (primarily association and foundation) form. *Social responsibility and solidarity* always manifest themselves when there is an obvious community interest (e.g. to increase the level of local education, to improve communal facilities, to protect the environment) or it is easy to emotionally identify with social groups (e.g. sick children or flood victims) that are in need of support. The share of donors is not only high; it has even increased a lot for the last decade despite the economic difficulties and the decline in the preferential tax treatment of donations.

Another important strength is *the government's positive, supportive attitude toward the civil sector*. Its permanent nature is guaranteed by the political consensus behind. There is not any important political actor who would question the importance of a strong civil society and the need for co-operation between the government and the nonprofit organisations. All of the successive governments have continued with the support schemes developed by their predecessors and enlarged their relationships with the organised civil society. *The system of the nonprofit sector's legal and economic regulation has been established* and more or less stabilised. The freedom of association is guaranteed, the operation, management and financial rules of nonprofit organisations just like their tax, fee and customs allowances are specified by laws and decrees. There have emerged some innovative grant-making schemes (1%, National Civil Fund) which channel public support to civil organisations without endangering their political independence.

The service providing role of nonprofit organisations has significantly increased. The innovative effect of this is invaluable, and so is the alternative approach non-governmental organisations represent – as opposed to state and for-profit service providers – in the various areas of welfare services. Also, there have appeared new kinds of activities (e.g. environment protection, homeless care) where a decisive part of the services are provided by nonprofit organisations.

The Hungarian civil sector has been quite successful in fund raising. In the transition period following the political changes a relatively large number of donors (private individuals, corporations, governmental organisations, foreign funders) could be won over to the favour of matters represented by civil organisations. The number of decision-makers (and thus the range of preferences guiding decisions) was further expanded by the '1% law'. As a result, the civil initiatives financed from grants and donations can receive support through several different mechanisms and from various sources. *Numerous nonprofit organisations are highly inventive in income generation and can boast a number of significant successes*. This is equally true in the case of the competitive tenders, the persuasion of various government and private funders, the foreign and domestic fund-raising and the revenue generation through the sale of mission-related services or unrelated business activities.

These successes can mainly be explained by the fact that *there are plenty of excellent experts among the leaders and volunteers of nonprofit organisations* who are ready and willing to make enormous efforts in order to achieve their organisations' professional purposes. A part of the foundations and associations have been established because some especially dedicated teachers, doctors, artists, community organisers, etc. wished to work at an outstanding level, free of bureaucratic requirements.

During the past fifteen years *a wide range of strong nonprofit training* has been developed. Besides occasional courses and training programs, an established nonprofit administrator and manager training has also appeared. The teaching of nonprofit subjects has been integrated into university and college curricula. BA level college training has also been accredited. A new generation of trained nonprofit managers is already present in the labour market. Its members have acquired the skills needed for the operation of nonprofit organisations in the form of regular training.

There exist a developed statistical reporting system and extended research activities specialised in civil society issues. This results in the international recognition of the performance and exemplary initiatives of the Hungarian nonprofit sector. There is a rich nonprofit research literature in Hungarian; several of its pieces are also available in other languages. All data and information are available that are necessary for the evaluation of the situation and for the preparation of decisions concerning the civil sector.

A large number of nonprofit organisations are characterised by *a strong professional identity and an exceptional commitment to the matters they represent*. Consequently, they are capable of mobilising their potential partners and volunteers and carry out a well-coordinated work in order to achieve their specific goals. This is also reflected in the fact that several nonprofit umbrella organisations have been established in various fields (e.g. environment, unemployment, social care, etc.), and some of them conduct their coordinating and professional advocacy activities to the full satisfaction of their members. *A network of information, consulting and support centres and 'civil houses' have been developed.* They are expected to improve dialogue within the sector and to promote the professionalisation of nonprofit organisations.

Weaknesses

There is a lot of trickery; nonprofit organisations frequently adopt semi-legal and illegal solutions even when they serve community interests, but mainly under the pretext of serving them. This is partly a product of the solution-oriented attitudes which were mentioned above as a positive feature. They have developed in the course of history, in which people were compelled to continuously deceive hostile state authorities in order to survive and preserve some minimal autonomy. Under the conditions of the economic and social transition, *the distrust between the government and civil society organisations* has even deepened. Instead of struggling for transparent and reasonable regulations, a large part of the civil organisations opt for deviating from the rules. This results in a series of foundation and association scandals which, of course, appear in the media, thus influencing public opinion.

The foundation and association abuses are mainly possible because the *regulation is not consistent, it does not create transparency*, or a system of requirements that is clear for everyone. There is a hitch in the enforcement of the law on public benefit organisations, and courts act by the course of law instead of the spirit of the law; they set a number of bureaucratic barriers for foundations and associations seeking to obtain the public benefit status. Despite the presence of a complicated system of regulations, *there is a lack of accountability rules and control mechanisms* which would prevent people in a variety of fields (state administration, politics, economy) from abusing the nonprofit organisational forms (or at least would make abuse more difficult).

There has not been made any firm decision on the reform of the welfare system, on the division of labour between the state, the market and the nonprofit service providers. It is not clear then, what kinds of tasks should be assigned to nonprofit organisations under which conditions, and what kind of government support should be involved. *Thus neither the quality and the stability nor the financing of the delivered services is guaranteed.* Although nonprofit organisations providing educational, social, cultural or health care services can apply for normative support, this per capita support annually specified in the law on the state budget is not sufficient for current expenses, not to mention infrastructural developments. On the short term, we cannot expect a dynamic rise in consumer demand due to a low retail purchasing power.

Most of the Hungarian donors and grant-making foundations are 'poor', thus it is difficult to significantly increase the amount of their donations. Both private individuals and private firms have to deal with financial problems. This does not prevent them from giving, but the size of their gifts is rather limited. Not even the largest foundations (mainly state-established public law foundations and some private ones with corporations and foreign founders behind) have big endowments that would produce a stable yield. The size of the grants they can allocate and their grant-giving policy itself depend on how their founders and supporters annually decide on budget and guidelines. This means that both the big grant-making organisations themselves and – indirectly – their grantees are at the mercy of some actors outside the civil sector.

The income-generating activity consumes immense energies, often transforming organisational structures and values. The participation in an open competition for grants and the preparation of proposals usually involve a number of *bureaucratic obligations* while obtaining grants in informal ways tends to lead to *economic and political dependence*. In order to access to sources, there is often a need for compromise, what is more, the modification of the organisation's programs or, perhaps, giving up the original mission. It is dangerously frequent that certain organisations base their operation entirely or in most part on one type of income. This obviously results in an *instable financial situation*, since it is difficult or even impossible to substitute missing incomes should the source of financing unexpectedly cease to exist.

In a considerable number of organisations there is *weak financial control and unprofessional management*. Characteristically, they have a lack of financial knowledge and rarely do they employ a financial manager or any other financial expert. The leaders of civil society organisations are often convinced that their sense of mission releases them from the requirement of organisational professionalism, financial discipline and transparency. *There are very few organisations that can employ well-paid full-time employees*. Due to low wages there is a danger that the nonprofit sector is able to employ only the most committed from real experts and the least ‘attractive’ from among the fresh young graduates.

Research results are accessible only for a limited number of potential users and their practical utilisation is rather poor. Reports published in the media often contain errors even in connection with phenomena of which there are exact statistical data available. Leaders of nonprofit organisations as well as state decision-makers dealing with the sector rarely rely on scientific data, and even more scarcely do they come up with requests or formulate practical questions. They don’t seem to realise that research results could be helpful in their everyday work, in making strategic decisions and in facing financial and management challenges.

Nonprofit organisations still do not define themselves as a community institutionally embodying the civil society; they do not appear as a *conscious, independent sector* such as the government and market sectors. There is regular dialogue only between those organisations that are operating in the same fields of activity. Between different areas there is an inadequate exchange of information and poor co-operation. The sector is politically, economically and even geographically divided. There is a lack of solidarity and helpfulness towards small rural organisations; relationships are characterised by mutual distrust and rivalry. Another consequence of this is that the communication of the civil sector as a whole is rather weak. *The advocacy of the sector’s interests is still an unresolved issue*. Neither professional umbrella organisations nor nonprofit support centres undertake the task of lobbying for common interests. As a result, the sector is unable to exert considerable pressure or even monitor the modification of legal and economic regulation, the government’s grant-giving policy and other changes concerning the civil sector.

Threats

The threats posed to the future of the civil sector can be almost directly deducted from the weaknesses listed above. For the lack of strong sectoral identity, sector level co-operation and advocacy, there is a huge risk of a *growing political dependence* of civil organisations. Their conflicting interests can easily lead to rivalry and animosity which would be an impediment to the definition and implementation of common interests and the formulation of co-operative strategies. As a consequence, the isolated and competing civil organisations are likely to become victims of political manipulation, in some cases even the vehicles of the political parties’ struggle for power. This would, of course, spoil not only their own prestige but that of the whole sector, as well.

The same *loss of prestige can be the consequence of the lack of transparency*, the financial instability and the poor management of a large part of the civil organisations and its obvious corollaries, namely the uncertainties of their everyday operation, the quality problems of their service provision and the regularly breaking scandals. These phenomena can significantly decrease the present trust of the civil organisation, which would not only stop the growth of the individual and corporate donations but could also have a negative influence on the development of direct and indirect government support.

If these trends continue, *further differentiation within the civil sector* is to be expected. A significant part of the nonprofit organisations can find themselves in a hopeless, peripheral situation. The loss of the trust of private donors is obviously more harmful for the relatively small than for the large and strong organisations because they are more dependent on the support and voluntary work of the local community. The small civil organisations are usually short of both financial reserves and well-trained managers. For lack of an appropriate financial and human infrastructure they are less capable to muddle through the crises and to find alternative sources of funding. Their eclipse and attrition is not likely to stop the development of the nonprofit services provision but it would dangerously weaken the Hungarian civil society. The membership in small civil organisations represents the most direct, most personalised way of *social participation*, of joint activities shaping the future of local, national or even wider communities. Consequently, the fate of the small civil society organisations is of some importance from the point of view of the large community, as well. Their decline would destroy or at least *weaken the institutional framework of the discussion and collective interpretation of European level issues*, thus neither an agreement nor workable suggestions could be developed. This would prevent people from thinking and behaving as European citizens, which would even strengthen the already existing Euro-scepticism, the feeling that decisions are made in far-away metropolises without listening to the opinion of local stakeholders. This frustration and resentment create a favourable environment for *provincialism, political extremism and anti-integration movements*.

Opportunities

Facing the threats, if it happens in time, always gives us an opportunity to make conscious efforts in order to reinforce the positive tendencies. The Hungarian civil organisations, if they are able to set aside internal conflicts, still have their chance to organise sector level advocacy, maybe to establish a sector-wide umbrella organisation. Their common efforts might persuade the political decision makers into developing a consistent and transparent system of legal and economic regulations. In line with the same ideas, a consensus-based ethical code guiding the behaviour of civil organisations could be developed. *The consistent regulation and the voluntary acceptance of jointly shaped norms* could significantly increase the prestige, the social recognition and respect, and also the public and private support of the civil sector.

In the EU member Hungary, there is some chance that the principle of subsidiarity, besides its general acceptance in declarations and political programs, be also implemented in practice. Slow and difficult as it is, the modernisation of the public sector is still progressing. Thus it is possible that – under some pressure from the European Union – there will finally appear a clear concept of the division of labour between the government, the nonprofit and the for-profit sectors in the provision of public services. A reform guided by such a concept and the establishment of the appropriate financial schemes would significantly improve the economic conditions, financial sustainability and growth potential of the nonprofit service providers. A similar impact can be expected from the financial support the nonprofit organisations are able to receive from the EU Structural Funds.

There is a remarkable opportunity for the *expansion of the civil sector's human resources*. For the last decade, different higher education institutions and training centres have trained a large number of people who acquired the skills necessary for managing nonprofit organisations, organising their professional fund raising activities and applying all kinds of research results in their everyday work. Since a shift of generation in the leadership of the nonprofit organisations created in the early 1990s is timely anyway, the emergence of new civil leaders is predictable. On the 'supply side', all the conditions for a more professional nonprofit management seem to be given, thus one can hope for a more efficient, more self-confident and more influential nonprofit leadership in the near future.

This growing self-confidence and influence would be all the more necessary because they are also needed in order to take another opportunity. This latter is offered by the European Union accession itself which makes the citizens of all member states equal in principle. They are not only allowed but also expected to behave as responsible European citizens. Their civil organisations are supposed to *play an active role in shaping the norms and influencing the policy of the European Union*. Taking this opportunity is undoubtedly the biggest chance and challenge Hungary has had to face for the last couple of centuries.

Strategy alternatives and practical solutions

In order to take the opportunities, there is a need for a change of attitudes and a series of immediate steps have to be made. The past-orientation, the national culture of complaining, the continuous frustration, and the inferiority complex quite often translating into arrogance should be substituted by clear-headed self-evaluation and pragmatism. The distrust of potential partners and narrow-minded spitefulness should be crowded out by mutual readiness for compromise and co-operation. Civil organisations, by their very nature, are supposed to play an outstanding role in making these changes. As a first step, starting action in their own field, they should establish forums of co-operation which can serve as an *institutional framework of reconciliation the different interests and concepts, identifying the common interests, developing an appropriate strategy, and dividing the*

tasks among the different actors. The most important of these tasks are the development of a generally accepted system of values, ethics, norms of behaviour and the establishment of the institutional guarantees of their actual implementation. It is also important to organise the national and international representation of the nonprofit sector's interests and to strengthen the co-operation with government authorities and private enterprises.

A crucial issue of the government/nonprofit dialogue could be a comprehensive evaluation of the present legal and economic regulations. As an outcome, a *consistent regulation* should emerge that would not only facilitate but also encourage the law-abiding behaviour of civil organisations; would prevent abuse and enhance the prospects of private charity and volunteering. Another series of actions could start with an overview of the division of labour between different sectors, an evaluation of the system of government grants and an analysis of their interrelationships, impacts and mechanisms of operation. Concrete practical actions should be based on the results of this analysis and on a consensus developed through debates aiming to develop more comprehensive and more efficient solutions.

The 'development agents' of the civil sector (think tanks, training and support centres) should make intensive efforts in order to provide nonprofit organisations with well-trained potential employees and useful practice-oriented advice. In addition, new schemes of support should be created in favour of civil organisations which intend to *employ well-trained and decently paid staff*.

Similarly, specific support would be necessary for the promotion of international co-operation. Hungarian civil organisations should be enabled to *participate as equal partners in the work of European level forums, umbrella organisations and federations*. It would also be important to facilitate and urge bilateral and multilateral co-operation with foreign civil organisations. A special attention should be paid to the projects initiated and run by the Hungarian partners. The international programs involving the joint work of citizens from several countries have to become quite common, a part of ordinary life experience; this is a necessary condition of the emergence of European citizenry.

To be summarised, the stake is rather high. For the moment, there is a chance of prevailing positive trends – based on the strengths and using the economic and political opportunities offered by the EU integration –, but there is also a risk that the opposite might happen. The fate of the Hungarian civil sector will be decided within the next few years. This assigns an extraordinary responsibility to all those who see the situation clearly and have the potential to take action towards favourable directions.

The most important thing is that consideration be given to the civil arguments too

Interview with István Farkas

Regular media presence, social embeddedness and transnational professional work reaching as far as the European and the global stage could make a civil organisation an eligible partner for politics too, states István Farkas, co-president of the National Society of Conservationists. The green activist says the further we get from high politics and the closer to local affairs, the bigger the differences in the conditions and perception of social involvement.

As one of the civil organisations with the biggest membership and traditions of 19 years, you have been playing a role in conveying social values and shaping politics for quite a long time. What experiences do you have in co-operating with the decision-makers?

We have mixed experiences, some are expressly good but some are disappointing. Perhaps the best thing would be if I mentioned examples for both. We were involved in the development of the climate strategy, where the experts of the National Development Agency requested the comments of the social organisations throughout the entire process, listened to our proposals, considered them and also accepted some of them. As for me, I think ‘consideration’ the more important thing because it is not sure that we are right – if politics decide otherwise, the responsibility will obviously be theirs. We also tried to be involved in the public debate over the reform of the healthcare system but there the ministry was not really receptive of the civil comments.

How many such civil organisations exist in Hungary whose professional prestige is big enough for politics to treat them as a partner?

I do not know precisely, but in our area, in nature and environment protection, there are about 20 such organisations to which the decision-makers pay attention at national level too. High-standard work in itself is not enough to leverage the position of an organisation, a strong social basis and regular media presence are also necessary. We, for example, have been present in the public domain for 19 years, with 110 member organisations and 30 000 members, and in the context of the climate strategy mentioned earlier we consulted over 50 000 people in 30 cities. Naturally, it is important to be present on the international stage too, this is at least as indispensable for professionalism and the attainment of our objectives, as to gain political weight, to be “perceptible”. The stress here is primarily on involvement in EU issues, but sometimes it is the global campaigns that bring success locally, too.

To what extent do state resources count in ensuring the financing background of the organisations?

They count a lot but are not exclusive, something I could best illustrate with our own example because it is here that I know the latest and most precise figures. At our organisation the share of state funding is between 30 and 50 per cent from year to year. Last year 40 per cent of our 78 million HUF budget came from the state in one form or another.

How transparent and practical is the operation of the forms of support known to you?

Compared to the general Hungarian conditions, I consider transparency satisfactory but practical aspects are sometimes suppressed by unnecessary bureaucracy. We have direct experiences with the National Civil Fund (NCA) and the Green Source application scheme. The NCA is an established and operating system in which the clumsiness of the assessment of the applications and the disbursement of the money cause problems at times. At the same time stability and calculability are its important assets. This latter cannot be said for the grants available through application from the Ministry of Environment: it is a point of debate each year whether or not the applications will be invited whereas, with the grants the civils take over tasks from the state and typically do them cheaper than the state. This year only 200 million HUF was available for this purpose – we ourselves would be happy with a little bigger budget, say 300 million HUF, but we should be able to calculate with it from year to year.

Let us come back for a moment to transparency, which you called satisfactory. Does this mean that the representatives of the civil sphere are involved in the assessment of the applications and in the distribution of the funds?

Yes, in fact this has traditions of many years. The elected representatives of the environmental organisation participate in the distribution of the Green Source funds at the national meeting of those organisations, but a similarly democratic system is in place at the NCA. The problem is rather that the delegates have a mandate of 2-3 years, if they were elected annually, they would feel more to whom they owe responsibility and accounting.

Till now we have discussed mainly the national dimension of social involvement. How does all this work at the level of the local governments?

The closer we get to the local affairs, the bigger the difference in the respect of the openness of the decision-makers to involving the civils. The differences between the regions are great, and are even bigger between the localities. There is an east-west directional division (one could also say that in Transdanubia, there is more demand and also more possibility for public involvement). In our view, this depends not so much on party policy, but rather on the local political culture.

You mentioned the regions – this new decision level is practically non-existent for the public yet, but it seems that it does play an important role in the practice nevertheless.

We got in touch with the regions in the context of the development applications. We find that there is perhaps a little bit less than necessary decision power on this medium level (the important questions are decided at national level rather), but the influence of the regions is growing perceptibly. In Hungary, the ratio of decentralisation is traditionally low and there are regular conflicts between the aspects of solidarity and autonomy. We always approach these dilemmas from an aspect of sustainability, with ecological arguments, which means that we do not argue on the lines of the classical resource division logic, and this also suggests that we always say that the other party is right: perhaps it is all the more useful that we have the opportunity to be regularly involved in the decision support process.

The media usually presents these matters under headlines like the civils “again protest against something”. As though the aspect of sustainability also represented by yourselves would always be reduced to the background in the decision process.

This is indeed often the case but blowing up the conflicts is part of the particular approach of the media. Those things on which we agree with the policy-makers have smaller news value. The underlying cause is often the difference of opinions on some economic policy or development policy issue: we imagine the development of the country in reliance on the preservation of the local resources and on sustainable use, while mainstream politics rather concentrate on the accommodation of the multis and the development of the infrastructure. But this implies that they always want to “bite off” a piece of the values that should be preserved, against which we attempt to leverage all the power of the civil society, sometimes with more success, sometimes with less.

Internal cohesion is more important than money

Interview with Margit Pócs

The network of Civil Service Centres (CSZK) promotes information exchange and co-operation between the national, regional and local levels of state administration and the social organisations. According to Margit Pócs, head of the organisation that operates the Tolna County CSZK, there is much demand for social involvement both „top-down” and „bottom-up” but in order for the different initiatives to meet, more trust and cooperative spirits are needed at the level of the individuals and the organisations alike.

How long have the Civil Service Centres been in operation and what is their job?

The organisation of the network started in 2000, on the initiative of the Prime Minister’s Office, the body then responsible for the co-operation of the government and the NGOs. The idea was to set up a “civil house” in every county and in the capital, which will help the organisations of the non-profit sector acquire information affecting them, make their applications successful and promote their co-operation with one another. The aim was to launch such information and opinion exchange which will connect all levels of the state administration, that is the government, the county and the local levels, with the voluntary organisations.

To what extent have these ideas been realised?

The network has been established, the centres are operated by the civil organisations, with the involvement of the local governments. In Tolna county, for example, more than half thousand organisations use regularly the services of the CSZK, which means that the most important of the initial objectives have been met.

Who finances this form of co-operation?

The principal source of financing is the annual application scheme, which is sometimes open and sometimes the eligible organisations are invited to apply for funding. The invitation form is more favourable because it offers greater security, yet funding is not granted automatically. The annual assessment and continuous monitoring also work as a kind of quality assurance, because the quality of our work is being regularly tested. The local municipality also contributes to the operation of the centres, in our case they provide the room and pay the overheads. We also receive money from the 1 per cent personal income tax offerings of the citizens and from the supports of the companies operating in the region.

What is your experience, how open are the different levels of state administration to the partnership offered by you?

The fact that this network exists and there are such forms of support (e.g. the NCA) which make possible its operation, in itself is evidence of a certain degree of openness on the part of the state administration. Everything else depends on the attitude of the participants of the co-operation, that is not only on the government and local municipality institutions, but also on the players of the civil sector. Of course, deficiencies do exist on both sides; for example, it is fact that the civil sphere has not produced its own representation model yet, which the government tolerates with a considerable amount of empathy for the time being. In the respect of internal development, the non-profit sector still counts as minor, and we cannot expect more openness until we are not secure with our own identity either. We can only expect to make progress in the field of partnership if co-operation strengthens inside the civil sphere too. Undoubtedly, there exist some civil round tables which are capable of formulating the common position, for example in the county seats, but those who look at things more closely will see that this net still has holes in it.

Which are those institutions that require the involvement, comments of the civil organisations?

The representatives of the sector are regularly involved in the lawmaking, regulation amendment work of the ministries. The positive practice of the Ministry of Environment or the Ministry of Labour and Social Affairs can be quoted as classical positive example. The Ministry of Education is less receptive of this form of co-operation for the time being.

What is missing to make this communication and co-operation more perfect? Money? Training? Determination?

The stereotype answer to this question is that money, but this problem has many components, it cannot be simplified this much. First of all, an appropriate approach and attitude are missing, in which co-operation could rests on mutual trust and internal cohesion. This should be manifested at the level of the people and the organisations, as well. Naturally, the same goes for the decision-makers and the business side too, because without them we would be sitting on a chair with one leg. If all the above conditions were given, there could follow the economic environment in which we can operate. Now, we are often confronted with the situation where no action takes place despite all the good intentions because the financial conditions are missing. We would need independent co-ordinators, administrators because we cannot expect the volunteers to do everything. Financial vulnerability and incalculability are great liabilities; it is hard to build relations if you do not even have the money to travel to a county seat or to the capital. We do not consider it normal either that most of the energies of the organisations should be engaged in writing applications. A sector-friendly environment is another missing condition. And naturally, our communication could also be more efficient, something we could improve through training, in the first place.

How do you think the money necessary for the operation of the civil sphere should be raised?

I think first of all by regrouping the existing funds, in the given case (NCA) by releasing certain budgets. Foreign examples show that, under the necessary controls and guarantees, the state gambling revenues or a fixed percentage of the local taxes could be used splendidly for this purpose. But the conditions of accessing the EU funds should also be changed. Now, it is quite a blow for an organisation if it wins some grant from the EU because, given the subsequent financing regime, it will go bust before it can get by the money. It should be understood that we are indeed working in the non-profit sector: we are not business enterprises, we do not have amassed capital and can mostly rely on our own work only, and the existing regulations do not take into consideration these facts.

**Milestones in the Hungarian civil society
1825-2008**

- 1825-1848 In the age of reform the political atmosphere became more liberated. The associations, clubs, literary societies were important base of reform process.
- 1848 During the revolution the freedom of association was not codified, but it followed from the spirit of laws in 1848.
- 1849 After the fall of the Hungarian War of independence the majority of associations were dissolved. This event retards the development for many years.
- 1852 Francis Joseph ordered a new decree on associations, this order – born in terms of political distrust – considered the first comprehensive regulation referring to the operation of associations.
- 1862 The Statistical Commission of the Hungarian Academy of Sciences completed the first professional records on associations. 579 organisations were registered.
- 1873 The act on regulating associations is passed. This act orders that the new organisation's deed of foundation has to be approved by authorities. Associations may start their activity after that.
- 1878 The first publication that contained the detailed results of the comprehensive data collection carried out in 1878 by the central statistical office. In Hungary 3995 association operated at that time.
- 1884 The Factory Act created the trade-corporations. The membership was compulsory for craftsmen. This provision hinder the activity of voluntary organisations.
- 1912 Coming of the First World War new restrictions came into force. The act forbid the funding of new civil organisations.
- 1932 The only survey between the two world wars was also based on the comprehensive collection of data. It contained results on the number of organisations and members, and their financial situation.
- 1947 After World War II at the beginning of communist dictatorship starts liquidation of all foundations and the big part of „politically dangerous” associations.
- 1970 A survey on voluntary associations was conducted by the Hungarian Central Statistical Office, 8886 associations were registered.
- 1987 The Hungarian Civil Code legalised the status of foundation again. Resistance by civil society develops against the planned Danube power plant. It culminated in a big mass demonstration in Budapest.
- 1989 The Hungarian National Assembly passed a law on the right of association. As the result of the encouraging legal background and the new taxation system, the number of nonprofit organisations soared as well as their social roles and economic importance.

- 1993 The forms of public foundations, public benefit companies and public law association were introduced.
- 1996 Act on 1% was passed, this was pioneering in Central Europe. This system is running continuously, in 2007 more than 20000 organisation shared in this kind of support.
- 1997 Act on Public Benefit Organisations. Instead of organisational form, the public benefit status will be important in the system of tax exemption.
- 2002 Hundreds of civil organisations started a new cooperative program (Civil Cooperation Program) in order to coordinate the representation of interests and participate in the legislative and consultation process with the government.
- 2003 The government's civil strategy was created in 2003. In the frame of this strategy, the Act on National Civil Fund was passed. The purpose for the creation of the Civil Fund is to guarantee the support for operational costs of registered civil organisations in Hungary. The Fund supported nearly 40000 applications with EUR 101 million in the last four years.
- 2005 After lengthy harmonizing, the Act on Volunteering was passed. This act contains the main points of volunteer activity, the rules and legal guarantees.
- 2007 The government accepted new principles in the civil strategy. They set the transparency public registering as an aim. A new type of organisation, the nonprofit enterprise was introduced.
- 2008 A new public portal started the operation where the data of registered nonprofit organisations are available.

Selection of Hungarian civil society organisations

Clean Air Working Group	http://www.levego.hu
Association of Nonprofit Human Services of Hungary	http://www.humszolg.hu
Children and Youth Conference	http://gyik.networldtrading.com
EU Working Group	http://www.eumunkacsopot.hu
European House	http://www.europeanhouse.hu
European Roma Rights Centre	http://www.errc.org
Family, Child, Youth Association	http://www.csagyi.hu
Future of Europe Association	http://www.csipero.hu
Generation Europe Hungary Foundation	http://www.europadiaknaptar.hu
Hungarian Association for Persons with Intellectual Disability	http://www.efoesz.hu
Hungarian Association of NGOs for Development and Humanitarian Aid	http://www.hand.org.hu
Hungarian Atlantic Council	http://www.hac.hu
Hungarian Confederation of Social Associations	http://www.teosz.hu
Hungarian Folk High School Association	http://www.nepfoiskola.hu
Hungarian Helsinki Committee	http://www.helsinki.hu
Hungarian Hobby Sport Federation	http://www.masport.hu
Hungarian Telecottages Federation	http://www.telehaz.hu
Hungarian Women's Federation	http://www.noszovetseg.hu
Association of Industrial Parks of Hungary	http://www.ipe.hu
National Association for Consumer Protection in Hungary	http://www.ofe.hu
National Association of Large Families	http://www.noe.hu
National Conference of Students' Self-governments	http://www.hook.hu
National Federation of Disabled Persons' Associations	http://www.meoszinfo.hu
National Society of Conservationists	http://www.mtvshu/
Nonprofit Research Group Association	http://www.nonprofitkutatas.hu
SOS Children's Village Association of Hungary	http://www.sos.hu
Századvég Foundation	http://www.szazadvég.hu
The Federation of Technical and Scientific Societies - MTESZ	http://www.mtesz.hu
The Hungarian Red Cross	http://www.voroskereszt.hu
The Legal Defence Bureau for National and Ethnic Minorities (NEKI)	http://www.neki.hu
The Nonprofit Information and Training Centre (NIOK)	http://www.niok.hu
TIT - Society for the Dissemination of Scientific Knowledge	http://www.titnet.hu
Volunteer Centre Foundation	http://www.onkentes.hu

Glossary

advocacy: the act or process of defending or maintaining a cause or proposal. An organisation may have advocacy as its mission (or part of its mission) to increase public awareness of a particular issue or set of issues.

accountability: the capacity to account for one's actions; or as a representative of one's organisation, to account for either your actions or the actions of your organisation. The term is usually used in the voluntary sector to refer to the responsibility a non-profit organisation has to inform donors of the manner in which their gifts were used.

capacity building: the process of strengthening the potential for nonprofit organisations to respond to the needs of the community they serve.

civil society organisation: voluntarily formed citizens' organisations which express and actively address the varied complex needs of society; strengthen pluralism and diversity; mediate between the citizen and the state, the citizen and the economic power; and establish mechanisms by which government and the market can be held accountable by the public. Membership in civil society organisations encourages individuals to act as citizens in all aspects of society rather than bowing to or depending on state power and beneficence. The terms civil society organisations (CSOs), nonprofit organisations (NPOs), voluntary organisations, third sector organisations, and non-governmental organisations (NGOs) are often used as synonyms. Though they share a similar general meaning, their connotations are somewhat different. When voluntary associations and private foundations are mentioned as civil society organisations, the emphasis is on the role they play in social participation, advocacy, self-help, and interest articulation.

civil dialogue: as specified by Article 47 of the Constitutional Treaty, an important feature of participatory democracy is that the European Union institutions have to "maintain an open, transparent and regular dialogue with representative associations and civil society".

contracting out services: local governments have increasingly engaged in partnerships with nonprofit organisations in their community to deliver certain public services. Contracting out services to non-profits may offer cost and/or quality advantages over government production.

corporate social responsibility: a concept based on the approach that businesses consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, communities and other stakeholders, as well as the environment and the community they work. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organisations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large.

European Commission's White Paper on European Governance:

The debate on European governance, launched by the Commission in its White Paper of July 2001, concerns all the rules, procedures and practices affecting how powers are exercised within the European Union. The aim is to adopt new forms of governance that bring the Union closer to European citizens, make it more effective, reinforce democracy in Europe and consolidate the legitimacy of the institutions. The Union must reform itself in order to fill the democratic deficit of its institutions. This governance should lie in the framing and implementation of better and more consistent policies associating civil society organisations and the European institutions. It also entails improving the quality of European legislation, making it clearer and more effective. Moreover, the European Union must contribute to the debate on world governance and play an important role in improving the operation of international institutions.

foundation: organisations with endowments established to pursue durable public purposes. Their founders can be either private persons or organisations with legal personalities. Unlike associations, foundations do not have members. They are managed by a board. Their founders are not allowed to have a significant influence on the decisions of this board. Private foundations can take several different forms, including operating foundations (e.g. foundations operating schools, nursing homes, health and cultural institutions; providing social services; publishing books and journals; managing local radio and television stations, etc.); grant seeking foundations exclusively supporting public institutions such as libraries, theatres, museums, schools, universities, hospitals, research institutes that established them or pursuing particular aims and projects such as the creation of monuments, organisation of festivals, or development of art collections; grant-making foundations that support either projects or organisations; and corporate foundations mostly supporting present or former employees of the companies.

social cohesion: the ongoing process of developing a community of shared values, shared challenges and equal opportunities based on a sense of trust, hope and reciprocity.

social dialogue: the process referring to the discussions, consultations, negotiations and joint actions undertaken by the social partner organisations between public authorities, employees' and employers' organisations. At European level, social dialogue takes two main forms - a bipartite dialogue between the European employers and trade union organisations, and a tripartite dialogue involving interaction between the social partners and the public authorities. European social dialogue has resulted in a variety of outcomes, including the adoption of over 300 joint texts by the European social partners. Combining the values of responsibility, solidarity and participation, European social dialogue complements the national practices of social dialogue which exist in most Member States.

transparency: Article 255 of the EC Treaty gives any citizen of the Union, and any natural or legal person residing in a Member State, the right of access to European Parliament, Council and Commission documents. In addition, access to documents must be facilitated through the implementation of an electronic public register. The concept of transparency refers to the openness of the Community institutions and to their clear functioning. Transparency is linked to the citizens' demands for wider access to information and EU documents and for greater involvement in the decision-making process which would help foster a feeling of closeness to the Union.

volunteer: persons who enter into or offer themselves for a service of their own free will; volunteers are not receiving any remuneration for their work/expertise.

voluntary association: autonomous membership organisations formed voluntarily for a purpose agreed upon by their members and stated in their founding articles. Associations must have registered members who organise to actively pursue the associations' aims. Although membership organisations are not necessarily called voluntary associations and special laws and government decrees may specify rules for some of them, the basic legal regulation of voluntary associations applies to all such organisations, including societies, clubs, self-help groups, federations, trade unions, mass organisations, social organisations, etc. These organisations can be formed around common interests, intentions, concerns, hobbies, personal problems, age, residence, profession, occupation, or support for particular institutions, ideas, actions.

1% law: adopted in 1997; permits that taxpayers transfer 1% of their personal income tax to a nonprofit organisation of their choice. In 2006 27 426 organisation received 1% designated funds from tax payers totalling to the amount of EUR 33.000.000.

The National Civil Fund (NCF) of Hungary: established in 2003, the NCF of Hungary is the largest public fund to support Hungarian nonprofit organisation. The NCF's budget is linked to the actual size of the 1% designations: in a given year, the NCF receives from the state budget exactly the same amount of money of which the taxpayers' designated the recipients in their tax declarations earlier that year. Under the provisions of the law, at least 60% of the Fund must be spent on running costs of civil organisations, the rest The rest of the money may be devoted to a variety of projects that are likely to strengthen the sustainability of the nonprofit sector as a whole. Only voluntary associations and private foundations are eligible to get support from the Fund. Parties, trade unions, employers' federations, mutual insurance associations, churches, public benefit companies, and public law foundations established by government authorities or municipalities are explicitly excluded. Decisions are taken in the Council and various Boards of the NFC; majority of their members are elected representatives of civil society organisations.